

36th Fiscal Period Semi-Annual Report

Starts Proceed Investment Corporation

3-1-8 Nihonbashi, Chuo-ku, Tokyo

From: May 1, 2023
To: October 31, 2023

I. To Our Unitholders

We express our sincere appreciation to all unitholders for your continued loyal patronage to Starts Proceed Investment Corporation (“SPI”).

Having settled the 36th fiscal period ended October 2023 (from May 1, 2023, to October 31, 2023), we would like to report on the management status and performance results for the period.

In the 36th fiscal period, SPI acquired (G-38) Proceed Nishioji (acquisition price: 745 million yen) on September 29, 2023, to enhance the competitiveness of its portfolio. Consequently, SPI’s portfolio as of the end of the 36th fiscal period consists of 108 properties, with acquisition prices totaling 101,679 million yen. SPI also worked to reduce building maintenance and management costs while striving to increase revenue including rents and receipt of key money. As a result of these endeavors, SPI posted operating revenue of 3,532 million yen, ordinary income of 1,226 million yen and net income of 1,218 million yen for the 36th fiscal period. Distribution per unit came to 4,664 yen, surpassing the forecast announced earlier.

As for ESG initiatives, SPI continues to participate in the Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment based on its ESG policy. SPI has acquired the GRESB 1-Star rating, which is determined based on an entity’s comprehensive score and relative global quintile position. Moreover, SPI was also recognized with the second-best Level B ranking for its disclosure of ESG information. Further, through its second round of green financing, SPI was able to further promote its sustainability initiatives. Looking ahead, we will continue to promote initiatives on environmental and social considerations and corporate governance, based on the recognition that ESG-related initiatives are important issues.

Going forward, we are resolved to achieve steady growth of our assets under management and secure stable earnings from a medium- to long-term perspective by making the most of the expertise of the Starts Group, the sponsor, in an effort to further enhance unitholder value.

We ask you, our unitholders, to extend to us your continued consideration and support of our operations.



Kazuya Hiraide
Executive Director
Starts Proceed Investment Corporation
President
Starts Asset Management Co., Ltd.

II. Asset Management Report

1. Overview of Asset Management

(1) Management and other performance highlights of the investment corporation

Fiscal period	Unit	32nd period	33rd period	34th period	35th period	36th period
		From May 1, 2021, to Oct. 31, 2021	From Nov. 1, 2021, to Apr. 30, 2022	From May 1, 2022, to Oct. 31, 2022	From Nov. 1, 2022, to Apr. 30, 2023	From May 1, 2023, to Oct. 31, 2023
Operating revenue	million yen	3,177	3,224	3,349	3,676	3,532
[Of which, real estate rent revenue]	million yen	[3,115]	[3,154]	[3,154]	[3,554]	[3,532]
Operating expenses	million yen	1,806	1,810	1,830	1,994	2,031
[Of which, expenses related to real estate rent business]	million yen	[1,382]	[1,391]	[1,416]	[1,554]	[1,546]
Operating income	million yen	1,370	1,413	1,519	1,682	1,500
Ordinary income	million yen	1,159	1,199	1,303	1,423	1,226
Net income (a)	million yen	1,157	1,197	1,301	1,415	1,218
Total assets (b)	million yen	90,258	90,240	90,625	103,703	103,441
Net assets (c)	million yen	43,341	43,380	43,484	49,236	48,854
Unitholders' capital (net) (Note 2)	million yen	41,684	41,684	41,684	47,536	47,536
Total number of investment units issued and outstanding (d)	units	253,777	253,777	253,777	282,477	282,477
Net assets per unit (c)÷(d)	yen	170,785	170,940	171,350	174,303	172,949
Net income per unit (Note 3)	yen	4,562	4,717	5,127	5,009	4,313
Total distributions (e)	million yen	1,157	1,197	1,515	1,600	1,317
Distribution per unit (e)÷(d)	yen	4,563	4,718	5,971	5,667	4,664
[Of which, distribution of earnings per unit]	yen	[4,563]	[4,718]	[5,971]	[5,667]	[4,664]
[Of which, distribution in excess of earnings per unit]	yen	[-]	[-]	[-]	[-]	[-]
Return on assets (Note 4)	%	1.3 [2.6]	1.3 [2.7]	1.4 [2.9]	1.5 [3.0]	1.2 [2.3]
Return on equity (Note 4)	%	2.7 [5.3]	2.8 [5.6]	3.0 [5.9]	3.1 [6.2]	2.5 [4.9]
Equity ratio (c)÷(b)	%	48.0	48.1	48.0	47.5	47.2
Distribution payout ratio (Note 4)	%	100.0	100.0	116.4	113.1	108.1
[Other Reference Information]						
Number of investments properties (Note 5)	properties	106	106	104	107	108
Total number of leasable units (Note 5)	units	5,219	5,189	5,069	5,287	5,323
Total leasable floor area	m ²	192,143.94	192,005.05	192,437.53	207,039.40	208,500.36
Period-end occupancy rate (Note 5)	%	96.4	96.3	96.1	96.3	97.1
Depreciation and amortization	million yen	647	645	651	689	662
Capital expenditures	million yen	213	217	186	213	214
Property leasing NOI (Net Operating Income) (Note 4)	million yen	2,381	2,408	2,389	2,689	2,648
FFO (Funds from Operations) per unit (Note 4)	yen	6,883	7,002	6,936	7,034	6,677
FFO multiple (Note 4)	times	17.5	16.5	17.2	16.3	15.7
Debt service coverage ratio (Note 4)	times	11.4	11.3	11.3	10.6	9.1
Earnings before interest, depreciation and amortization	million yen	1,979	2,021	2,142	2,323	2,111
Interest expenses	million yen	174	178	189	218	231
Total interest-bearing liabilities	million yen	45,646	45,646	45,646	52,846	52,846
LTV (Loan-To-Value) ratio (Note 4)	%	50.6	50.6	50.4	51.0	51.1
Number of days of management	days	184	181	184	181	184

(Note 1) All amounts less than the specified unit are rounded down, and percentage figures and multiples are rounded off to the first decimal place except for distribution payout ratio, which is rounded down to the first decimal place.

(Note 2) Unitholders' capital (net) is the amount obtained by subtracting deduction from unitholders' capital from unitholders' capital.

(Note 3) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units issued and outstanding.

(Note 4) The indicators presented are calculated as follows.

For return on assets and return on equity, figures that are annualized by the number of days of management are also shown in brackets.

Return on assets	$\text{Return on assets} = \frac{\text{Ordinary income}}{\text{Average total assets}} \times 100$ $\text{Average total assets} = \frac{(\text{Total assets at beginning of period} + \text{Total assets at end of period})}{2}$
Return on equity	$\text{Return on equity} = \frac{\text{Net income}}{\text{Average net assets}} \times 100$ $\text{Average net assets} = \frac{(\text{Net assets at beginning of period} + \text{Net assets at end of period})}{2}$
Distribution payout ratio	$\text{Distribution payout ratio} = \frac{\text{Distribution per unit}}{\text{Net income per unit}} \times 100$ <p>Distribution payout ratio for the 35th fiscal period is calculated using the following formula due to change in the number of investment units during the period from having conducted a capital increase through public offering during the period.</p> $\text{Distribution payout ratio} = \frac{\text{Total distributions}}{\text{Net income}} \times 100$
Property leasing NOI	$\text{Property leasing NOI} = \frac{\text{Profit from real estate rent business (Real estate rent revenue} - \text{Expenses related to real estate rent business)} + \text{Depreciation and amortization}}{\text{Total number of investment units issued and outstanding}}$
FFO per unit	$\text{FFO per unit} = \frac{(\text{Net income} + \text{Depreciation and amortization} + \text{Other depreciation and amortization} - \text{Gain (loss) on sales of real estate properties} + \text{other sales expenses})}{\text{Total number of investment units issued and outstanding}}$
FFO multiple	$\text{FFO multiple} = \frac{\text{Investment unit price at end of period}}{\text{Annualized FFO per unit}}$
Debt service coverage ratio	$\text{Debt service coverage ratio} = \frac{\text{Earnings before interest, depreciation and amortization}}{\text{Interest expenses (including interest expenses on investment corporation bonds)}}$
LTV ratio	$\text{LTV ratio} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}} \times 100$

(Note 5) The number of investment properties are indicated in units that are generally accepted to be one. In addition, the total number of leasable units is the number of units that are leasable for residential, office, retail and other uses, and the period-end occupancy rate is the leased area expressed as a percentage of total leasable floor area as of the closing of accounts.

(Note 6) Fiscal period is a six-month period that ends on April 30 and October 31 of each year.

(2) Development in management of assets in the fiscal period under review

i) Brief background of the investment corporation

Starts Proceed Investment Corporation (“SPI”) was established on May 2, 2005, with 150 million yen in capital (750 units) based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; including amendments thereto) (the “Investment Trusts Act”), completed registration with the Kanto Local Finance Bureau based on Article 187 of the Investment Trusts Act on June 15, 2005 (Registration No. 37 issued by the Director-General of the Kanto Local Finance Bureau), implemented additional issuance of investment units through public offering (21,600 units) on November 29, 2005, and listed on Jasdaq Securities Exchange, Inc. (currently Tokyo Stock Exchange, Inc. JASDAQ Market) (Securities Code: 8979) the next day. After three capital increases through public offering and other developments since listing on the JASDAQ Market, SPI listed on the Tokyo Stock Exchange, Inc. Real Estate Investment Trust Securities Market (Securities Code: 8979) on July 27, 2010, and this was accompanied by an application for delisting being filed with the JASDAQ Market on August 10, 2010, and the delisting from the JASDAQ Market taking effect on October 1, 2010.

SPI entrusts asset management to Starts Asset Management Co., Ltd. (the “Asset Management Company”) and sets the focus of management on investment in real estate of which the principal use is use as rental housing (“rental housing”) as well as specified assets (the meaning provided in Article 2, Paragraph 1 of the Investment Trusts Act; the same hereinafter) backed mainly by rental housing. SPI also invests in monthly rental apartments, serviced apartments, hotels, residential facilities for the elderly (collectively referred to as “rental housing, etc.” together with “rental housing”), which are assets related to rental housing, and real estate from which income can be expected due to other leasing revenue or specified assets backed by such real estate. As it invests in rental housing, etc., SPI adopts the basic policy of setting rental housing for average-income households in particular, the demand for which SPI believes to be the most stable, as the primary investment target. In addition, SPI takes measures, such as leveraging the capabilities of the Starts Group, to enhance asset management efficiency, with an aim to secure steady growth of assets under management and stable earnings over the medium to long term.

As of the end of the fiscal period under review (36th fiscal period: from May 1, 2023, to October 31, 2023), the total number of investment units issued and outstanding is 282,477 units, total assets amount to 103,441 million yen, and unitholders’ capital (net) amounts to 47,536 million yen.

ii) Investment environment and management performance

In the 36th fiscal period, in line with the reclassification of COVID-19 as a Class 5 disease and the further easing of restrictions on movement that were implemented to prevent its spread, the Japanese economy continued to show a moderate recovery. Despite the impacts of price hikes, personal consumption remained steady thanks to improvements in the employment and income environment, and corporate earnings also improved. On the other hand, the decision by the Bank of Japan’s Policy Board and Monetary Policy Meeting to more flexibly implement yield curve control measures means that attention must be paid to domestic rises in long-term interest rates, global monetary tightening, and jumps in inflation rates, for example. As such, the future remains uncertain.

Under such circumstances, as for the demand trends in the rental housing market in which SPI invests, the demand and supply environment was favorable mainly in the Tokyo metropolitan area. Demand continued to be stable in other major metropolitan areas, and rental apartments owned by listed REITs specializing in housing have maintained high occupancy rates.

In the secondary real estate market, the demand of investors for rental housing showing stable operation and revenue was robust amid the ongoing favorable fund procurement environment. This has kept competition in property acquisition overheated, leaving transaction prices at a high level.

In the 36th fiscal period, SPI acquired (G-38) Proceed Nishioji (acquisition price: 745 million yen) on September 29, 2023, to enhance the competitiveness of its portfolio. As a result, SPI’s portfolio as of the end of the 36th fiscal period consists of 108 properties, with acquisition prices totaling 101,679 million yen and a total leasable floor area of 208,500.36 m².

In close collaboration with the property management company Starts Amenity Corporation, the Asset Management Company made efforts to reduce building maintenance and management costs while striving to increase rent, the receipt of key money and other revenue. The Asset Management Company also promoted leasing activities in coordination with leasing agents by setting finely tuned leasing conditions based on deeper understanding of regional characteristics and advantages of individual properties as well as thorough comparative analyses of nearby competing properties. Furthermore, the Asset Management Company continued to reduce utility costs by converting the common lighting for common areas to LED lighting. These measures worked to maintain the occupancy rate of the entire portfolio stably, resulting in a period-end occupancy rate of 97.1% and an average occupancy rate of 96.8%.

As for ESG initiatives, SPI continues to participate in the Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment based on its ESG policy. SPI has acquired the GRESB 1-Star rating, which is determined based on an entity's comprehensive score and relative global quintile position. Moreover, SPI was also recognized with the second-best Level B ranking for its disclosure of ESG information. Further, through its second round of green financing, SPI was able to further promote its sustainability initiatives. SPI has acquired CASBEE Certification for Real Estate for one property and Building-Housing Energy-Efficiency Labeling System (BELS) Certification for three properties as of the end of the 36th fiscal period.

iii) Status of fund procurement

In the 36th fiscal period, to repay a long-term loan of 5,032.5 million yen due for repayment on May 24, 2023, SPI issued the 1,500 million yen Fourth Series Unsecured Investment Corporation Bond below, and borrowed a long-term loan of 3,532.5 million yen (term: 6 years and 6 months).

Name: Starts Proceed Fourth Series Unsecured Investment Corporation Bond
 (with pari passu conditions among specified investment corporation bonds) (Green Bonds)
 Total issue amount: 1,500 million yen
 Interest rate: 0.800% per annum
 Issuance date: May 22, 2023
 Redemption date: May 22, 2028
 Security and guarantee: Unsecured and unguaranteed

As a result, the period-end balance of interest-bearing liabilities totaled 52,846 million yen, comprising 9,061 million yen in current portion of long-term loans payable, 38,785 million yen in long-term loans payable and 5,000 million yen in investment corporation bonds as of the end of the 36th fiscal period, with the period-end LTV ratio standing at 51.1%.

As of the date of this document, SPI has acquired the following credit ratings.

Credit rating agency	Credit rating	
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating A (Stable)	Bond rating A

iv) Overview of business performance and distributions

As a result of the management described above, business performance recorded for the 36th fiscal period was operating revenue of 3,532 million yen, operating income of 1,500 million yen, ordinary income of 1,226 million yen and net income of 1,218 million yen.

Concerning distributions, SPI conducts distributions to ensure the application of Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957; including amendments thereto) (the "Special Taxation Measures Act"). In the 36th fiscal period, SPI decided to distribute the entire amount, excluding fractions of distribution per investment unit of less than 1 yen, which is obtained by adding 99 million yen of reversal of reserve for reduction entry accumulated in accordance with Article 65-7 of the Special Taxation Measures Act to unappropriated retained earnings. Accordingly, SPI declared a distribution per investment unit of 4,664 yen.

(3) Status of capital increase, etc.

Date	Description	Total numbers of investment units issued and outstanding (units)		Unitholders' capital (net) (Note 1) (Million yen)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
May 2, 2005	Establishment through private placement	750	750	150	150	(Note 2)
November 29, 2005	Capital increase through public offering	21,600	22,350	4,104	4,254	(Note 3)
December 27, 2005	Capital increase through third-party allotment	27	22,377	5	4,259	(Note 4)
May 1, 2006	Capital increase through public offering	13,500	35,877	2,487	6,746	(Note 5)
May 31, 2006	Capital increase through third-party allotment	1,000	36,877	184	6,930	(Note 6)
November 21, 2006	Capital increase through public offering	25,700	62,577	4,469	11,400	(Note 7)
December 19, 2006	Capital increase through third-party allotment	1,000	63,577	173	11,574	(Note 8)
November 22, 2007	Capital increase through public offering	44,400	107,977	7,136	18,710	(Note 9)
May 1, 2013	Capital increase through public offering	37,000	144,977	6,607	25,318	(Note 10)
November 4, 2014	Capital increase through public offering	28,800	173,777	4,777	30,096	(Note 11)
November 21, 2016	Capital increase through public offering	83,000	256,777	12,134	42,230	(Note 12)
April 26, 2019	Cancellation	(3,000)	253,777	(545)	41,684	(Note 13)
November 1, 2022	Capital increase through public offering	28,700	282,477	5,852	47,536	(Note 14)

(Note 1) Unitholders' capital (net) is the amount obtained by subtracting deduction from unitholders' capital from unitholders' capital.

(Note 2) SPI was established on May 2, 2005.

(Note 3) SPI issued additional investment units through public offering at an issue price of 200,000 yen (purchase price (underwriting price) of 190,000 yen) per unit to procure funds for the acquisition of new properties.

(Note 4) Following the capital increase through public offering described in (Note 3), SPI issued additional investment units through third-party allotment to Shinko Securities Co., Ltd. (stated in its former name, though it merged with Mizuho Securities Co., Ltd. as of May 7, 2009; the same shall apply hereinafter) at a purchase price of 190,000 yen per unit for the secondary offering (over-allotment) conducted by Shinko Securities.

(Note 5) SPI issued additional investment units through public offering at an issue price of 192,103 yen (purchase price (underwriting price) of 184,262 yen) per unit to fund the acquisition of new properties and partially repay borrowings, etc.

(Note 6) Following the capital increase through public offering described in (Note 5), SPI issued additional investment units through third-party allotment to Shinko Securities Co., Ltd. at a purchase price of 184,262 yen per unit for the secondary offering (over-allotment) conducted by Shinko Securities.

(Note 7) SPI issued additional investment units through public offering at an issue price of 181,300 yen (purchase price (underwriting price) of 173,900 yen) per unit to fund the acquisition of new properties and partially repay borrowings, etc.

(Note 8) Following the capital increase through public offering described in (Note 7), SPI issued additional investment units through third-party allotment to Shinko Securities Co., Ltd. at a purchase price of 173,900 yen per unit for the secondary offering (over-allotment) conducted by Shinko Securities.

(Note 9) SPI issued additional investment units through public offering at an issue price of 167,580 yen (purchase price (underwriting price) of 160,740 yen) per unit to fund the acquisition of new properties.

(Note 10) SPI issued additional investment units through public offering at an issue price of 185,035 yen (purchase price (underwriting price) of 178,582 yen) per unit to fund the acquisition of new properties.

(Note 11) SPI issued additional investment units through public offering at an issue price of 171,882 yen (purchase price (underwriting price) of 165,888 yen) per unit to fund the acquisition of new properties.

(Note 12) SPI issued additional investment units through public offering at an issue price of 151,320 yen (purchase price (underwriting price) of 146,198 yen) per unit to fund the acquisition of new properties.

(Note 13) SPI repurchased its own investment units from the market at the Tokyo Stock Exchange based on the discretionary transaction contract with securities companies regarding purchase of treasury investment units, for the period from March 27, 2019 to April 4, 2019. All of the acquired treasury investment units (3,000 units) were cancelled on April 26, 2019, based on the resolution at SPI's Board of the Directors meeting held on April 22, 2019.

(Note 14) SPI issued additional investment units through public offering at an issue price of 210,941 yen (purchase price (underwriting price) of 203,909 yen) per unit to fund the acquisition of new properties.

[Changes in market price of investment certificates]

The highest and lowest prices (closing price) in the Tokyo Stock Exchange, where SPI's investment securities are listed, by fiscal period are as follows.

Fiscal period	32nd period	33rd period	34th period	35th period	36th period
Closing month/year	October 2021	April 2022	October 2022	April 2023	October 2023
Highest (yen)	268,200	242,500	264,900	239,100	238,400
Lowest (yen)	219,100	205,200	222,300	220,200	206,500

(4) Distributions

Concerning distributions for the fiscal period under review, to ensure that the maximum amount of distributions of earnings is included in deductible expenses by applying the Special Provisions on Taxation (Article 67-15 of the Special Taxation Measures Act), SPI decided to distribute the entire amount, excluding fractions of distribution per investment unit of less than 1 yen, which is obtained by adding reversal of reserve for reduction entry accumulated in accordance with the Special Taxation Measures Act to unappropriated retained earnings. Accordingly, SPI declared a distribution per investment unit of 4,664 yen.

Fiscal period	32nd period	33rd period	34th period	35th period	36th period
Calculation period	From May 1, 2021, to Oct. 31, 2021	From Nov. 1, 2021, to Apr. 30, 2022	From May 1, 2022, to Oct. 31, 2022	From Nov. 1, 2022, to Apr. 30, 2023	From May 1, 2023, to Oct. 31, 2023
Total unappropriated retained earnings	1,158,003 thousand yen	1,197,331 thousand yen	1,301,169 thousand yen	1,415,073 thousand yen	1,218,575 thousand yen
Retained earnings	18 thousand yen	11 thousand yen	99,018 thousand yen	125 thousand yen	102 thousand yen
Total distributions	1,157,984 thousand yen	1,197,319 thousand yen	1,515,302 thousand yen	1,600,797 thousand yen	1,317,472 thousand yen
[Distribution per unit]	[4,563 yen]	[4,718 yen]	[5,971 yen]	[5,667 yen]	[4,664 yen]
Of which, total distributions of earnings	1,157,984 thousand yen	1,197,319 thousand yen	1,515,302 thousand yen	1,600,797 thousand yen	1,317,472 thousand yen
[Distribution of earnings per unit]	[4,563 yen]	[4,718 yen]	[5,971 yen]	[5,667 yen]	[4,664 yen]
Of which, total contribution refund	-	-	-	-	-
[Contribution refund per unit]	[-]	[-]	[-]	[-]	[-]
Of the total contribution refund, total distributions from the reserve for temporary difference adjustments	-	-	-	-	-
[Of the contribution refund per unit, distribution per unit from the reserve for temporary difference adjustments]	[-]	[-]	[-]	[-]	[-]
Of the total contribution refund, total distributions through the reduction in unitholders' capital for tax purposes	-	-	-	-	-
[Of the contribution refund per unit, distribution per unit through the reduction in unitholders' capital for tax purpose]	[-]	[-]	[-]	[-]	[-]

(5) Future management policy and challenges to address

Looking ahead, the Japanese economy is expected to continue with its recovery in line with various factors, including the increasing normalization of socio-economic activities, recovery in personal consumption thanks to improvements in the employment and income environment, and increasing capital investments made possible by strong corporate earnings. On the other hand, SPI believes that it will be necessary to pay attention to future monetary policies and interest rate trends, while closely monitoring the impact of price hikes, supply constraints, and fluctuations in the financial and capital markets.

In the secondary real estate market, as the property acquisition appetite among investors remains strong against the backdrop of the favorable fund procurement environment including low interest rates, the transaction prices are expected to remain at high levels. In the rental housing market, meanwhile, it is expected that occupancy rates will remain high and an upward trend in rent per unit will continue to a certain degree, mainly in the Tokyo metropolitan area.

i) External growth strategy

SPI strives to increase opportunities to newly acquire prime investment real estate, based on the extensive collaborative relationship with the Starts Group. Such relationship has been formed by the pipeline support agreement concluded between the Asset Management Company and Starts Corporation Inc., Starts Development Corporation, Starts Amenity Corporation and the group companies in major cities in Japan (Note), respectively, and the property information provision agreement concluded between the Asset Management Company and STARTS Construction and Asset Management Co., Ltd., among other arrangements. Moreover, as SPI aims to expand its asset size and enhance portfolio quality, it will not only acquire properties developed by the Starts Group but also consider acquisition of new and relatively new, high-quality properties that have the potential to generate stable earnings over the medium to long term, while carefully assessing trends in the financial market as well as the primary and secondary real estate markets. Furthermore, along with the progress in external growth, SPI will continue to simultaneously investigate disposition of some assets that are small in size or were built long ago.

(Note) Group companies in major cities in Japan refer to Starts Hokkaido Co., Ltd., Starts Tohoku Co., Ltd., Starts Tokai Co., Ltd., Starts Kansai Co., Ltd., Starts Kyushu Co., Ltd., and Starts Okinawa Co., Ltd., which operate in major cities in Japan with Starts Corporation Inc. as the parent company.

ii) Internal growth strategy

Following on from the 36th fiscal period, SPI will endeavor to enhance convenience and comfort for residents through the provision of high-quality management services, under close collaboration with Starts Amenity Corporation, the property management company, and Starts Pitat House Co., Ltd., to which leasing business operations are re-entrusted. SPI will also work to enhance earnings from and occupancy rates of assets under management and cut costs by conducting finely tuned management suited to the respective area's real estate leasing market trends and individual property characteristics, without stopping at uniform management. SPI will also continue to improve asset value through large-scale repair work and facility renewal. Furthermore, SPI believes that initiatives on issues such as environmental and social consideration and the strengthening of governance contribute to the development of a sustainable society, and aims for medium- to long-term growth by conducting management based on such idea.

iii) Financial strategy

With its sight set on smooth fund procurement upon asset acquisition and reduction of refinancing risk, SPI will promote its ongoing favorable relationship with financing banks. At the same time, SPI aims to further strengthen the financial base and diversify its fund procurement means, including issuance of investment corporation bonds, while expanding the lineup of financing banks, reducing financing costs, extending loan periods, diversifying repayment dates and shifting to fixed-interest loans, on an as-needed basis.

(6) Significant subsequent events

Not applicable.

(Reference information)**Borrowing of funds (refinancing) and conclusion of interest rate swap agreement**

SPI borrowed Term Loan 3A as follows to fund the repayment of Term Loan 2J (loan balance: 4,000 million yen) for which the repayment date arrived on November 24, 2023.

	Term Loan 3A
Lender	The Bank of Yokohama, Ltd. Resona Bank, Limited Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Musashino Bank, Ltd. The Chiba Bank, Ltd. Aozora Bank, Ltd. The Hachijuni Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited
Loan amount	4,000 million yen
Drawdown date	November 24, 2023
Principal repayment date	May 24, 2030
Interest rate (Note)	Floating rate (Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.680%)
Interest payment date	The first interest payment date shall be the last day of November 2023, and for subsequent payments, the last day of February, May, August and November thereafter (however, in the event that one of these days is not a business day, the business day immediately preceding it) and the principal repayment date.
Principal repayment method	Lump-sum repayment on repayment date
Security and guarantee	Unsecured and unguaranteed

(Note) The base interest rate applicable to the calculation period for the interest payable on an interest payment date shall be the JBA 3-month Japanese Yen TIBOR two business days prior to the interest payment date immediately preceding the respective interest payment date (except for the first interest payment, in which case it shall be the drawdown date).

In addition, SPI concluded an interest rate swap agreement as follows to hedge against the risk of interest rate hike concerning the above Term Loan 3A, which is conducted with a floating interest rate.

	Agreement concerning Term Loan 3A
Lender	Resona Bank, Limited
Notional principal amount	4,000 million yen
Interest rate, etc.	Fixed interest rate payable: 1.490% Floating interest rate receivable: Base interest rate (JBA 3-month Japanese Yen TIBOR) + 0.680%
Commencement date	November 24, 2023
Termination date	May 24, 2030
Payment date	The first interest payment date shall be the last day of November 2023, and for subsequent payments, the last day of February, May, August and November thereafter (however, in the event that one of these days is not a business day, the business day immediately preceding it) and the principal repayment date.

(Note) In accordance with conclusion of the interest rate swap agreement, the actual interest rate on Term Loan 3A is, in effect, fixed.

2. Overview of the Investment Corporation

(1) Status of investment in capital

Fiscal period	32nd period	33rd period	34th period	35th period	36th period
Closing month/year	As of October 31, 2021	As of April 30, 2022	As of October 31, 2022	As of April 30, 2023	As of October 31, 2023
Total number of authorized investment units	2,000,000 units	2,000,000 units	2,000,000 units	2,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	253,777 units	253,777 units	253,777 units	282,477 units	282,477 units
Unitholders' capital (net) (Note)	41,684 million yen	41,684 million yen	41,684 million yen	47,536 million yen	47,536 million yen
Number of unitholders	11,711 individuals	11,383 individuals	11,189 individuals	11,886 individuals	11,702 individuals

(Note) Unitholders' capital (net) is the amount obtained by subtracting deduction from unitholders' capital from unitholders' capital.

(2) Major unitholders

The following table shows the ten largest unitholders according to the percentage of their owned investment units to the total number of investment units outstanding as of October 31, 2023.

Name	Number of investment units owned (units)	Number of investment units owned expressed as a percentage of total number of investment units issued and outstanding (%) (Note)
Custody Bank of Japan, Ltd. (trust account)	52,293	18.51
Starts Corporation, Inc.	38,017	13.45
The Master Trust Bank of Japan, Ltd. (trust account)	36,710	12.99
The Nomura Trust and Banking Co., Ltd. (investment trust account)	10,948	3.87
Kinkisangyo Shinkumi Bank	4,604	1.62
JP MORGAN CHASE BANK 385771	4,436	1.57
SMBC Nikko Securities Inc.	2,842	1.00
K. K. Toyosu	2,826	1.00
STATE STREET BANK WEST CLIENT - TREATY 505234	2,493	0.88
Morgan Stanley MUFG Securities Co., Ltd.	2,453	0.86
Total	157,622	55.79

(Note) Number of investment units owned expressed as a percentage of total number of investment units issued and outstanding are rounded down to the second decimal place.

(3) Matters concerning directors, etc.

The Executive Director, Supervising Directors and Independent Auditor as of October 31, 2023, are as follows.

Position	Name	Major concurrent assignments	Total remuneration for each position during the period under review (thousand yen)
Executive Director (Note 1)	Kazuya Hiraide	President, Starts Asset Management Co., Ltd. President, Starts Research Institute, Ltd.	-
Supervising Director (Note 1)	Shigeki Nomura	Partner, Okuno & Partners Director, Japan Deaf-Blind Association Councilor, National Committee of Welfare for The Blind in Japan President, Fujiwara Natural History Public Interest Incorporated Foundation	600
Supervising Director (Note 1)	Motohisa Matsushita	Certified Public Accountant, Matsushita Certified Public Accountant Office Controller, Kyoritsu Credit Corporation External Director (Audit and Supervisory Committee Member), Nissan Securities Co., Ltd.	600
Independent Auditor (Note 2) (Note 3)	Nihombashi Corporation	-	9,480

(Note 1) None of the Executive Director or Supervising Directors own investment units in SPI, either in their own name or in someone else's name. Moreover, although the Supervising Directors may be officers of corporations other than those mentioned above, they have no conflict of interest with SPI at those and the above positions.

(Note 2) The dismissal of the Independent Auditor shall be considered in accordance with the provisions of the Investment Trusts Act. The decision to not reappoint the Independent Auditor shall be studied at SPI's Board of Directors by comprehensively considering the audit quality, audit fee and other various conditions.

(Note 3) The total remuneration amount paid to Nihombashi Corporation includes the fees for auditing of SPI's English financial statements (900 thousand yen) and the fees for services for agreed-upon procedures (2,080 thousand yen), other than the services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act (Act No. 103 of 1948, as amended).

(4) Matters concerning directors and officers liability insurance agreement

Scope of the insured	Overview of agreement
Executive Director and Supervising Directors	[Overview of insured event covered by the insurance] The directors and officers liability insurance agreement covers such losses as compensation payment and dispute costs to be borne by the insured when they receive a claim for compensation for the actions they have taken related to their duties as directors of SPI. [Burden ratio of insurance premium] SPI bears the entire amount. [Measures to ensure the appropriateness of the execution of duties] When the insured suffer damages by actions which they executed while recognizing that it may constitute criminal act or violate the laws and regulations, the loss is not subject of the protection.

(5) Asset management company, asset custodian and general administrative agents

The following are the asset management company, asset custodian and general administrative agents as of October 31, 2023.

Entrustment category	Name
Asset management company	Starts Asset Management Co., Ltd.
Asset custodian	Sumitomo Mitsui Trust Bank, Limited
General administrative agent (administration of unitholder registry)	Sumitomo Mitsui Trust Bank, Limited
General administrative agent (accounting services)	Starts Asset Management Co., Ltd.
General administrative agent (administration of institutional operations)	Starts Asset Management Co., Ltd.
General administrative agent (administration of investment corporation bonds)	Resona Bank, Limited Mizuho Bank, Ltd.

3. Status of Assets under Management of the Investment Corporation

(1) Composition of assets of the investment corporation

Type of asset	Area	35th period (as of April 30, 2023)		36th period (as of October 31, 2023)	
		Total value of owned assets (thousand yen) (Note 1)	Percentage of total assets (%) (Note 2)	Total value of owned assets (thousand yen) (Note 1)	Percentage of total assets (%) (Note 2)
Trust beneficiary interest in real estate	Tokyo metropolitan area major cities	75,438,173	72.7	75,088,823	72.6
	Cabinet order designated cities	20,724,710	20.0	21,465,475	20.8
	Regional area major cities	2,172,671	2.1	2,155,347	2.1
Subtotal		98,335,554	94.8	98,709,646	95.4
Deposits and other assets		5,367,992	5.2	4,731,731	4.6
Total assets		103,703,546	100.0	103,441,378	100.0

(Note 1) "Total value of owned assets" indicates the amount posted on the balance sheets as of the closing of accounts (the book value after depreciation for real estate in trust), rounded down to the nearest thousand yen.

(Note 2) "Percentage of total assets" indicates the ratio of trust beneficiary interest in real estate and deposits and other assets to total assets, rounded to the first decimal place.

(2) Major assets held

The following is an overview of the major assets (top ten properties on a book value basis) owned by SPI as of October 31, 2023.

Property number	Property name	Book value (thousand yen) (Note 1)	Leasable floor area (m ²) (Note 2)	Leased floor area (m ²) (Note 3)	Occupancy rate (%)	Ratio to total rent revenue (%) (Note 4)	Main use
C-90	Proceed Yamashita Koen The Tower	8,145,852	8,154.58	7,650.99	93.8	5.7	Apartment
C-75	Proceed Shin Yokohama	4,319,552	5,457.56	5,301.97	97.1	3.5	Apartment
C-82	The Parkhabio Yokohama Yamate	3,161,389	2,654.69	2,592.60	97.7	1.9	Apartment
C-89	Alpha Grande Chizakura Tower	3,091,572	4,437.47	4,382.38	98.8	2.7	Apartment
C-41	Proceed Nishiarai	2,721,065	20,137.85	20,018.61	99.4	8.7	Apartment
C-70	Proceed Nishi Shinjuku	2,684,816	2,461.88	2,365.33	96.1	1.8	Apartment
C-69	Proceed Nihonbashi Honcho	2,576,635	2,553.89	2,489.12	97.5	1.7	Apartment
C-77	Proceed Kinshicho	2,222,216	2,302.92	2,242.45	97.4	1.5	Apartment
G-26	Proceed Bentencho	2,214,792	4,134.70	3,910.62	94.6	1.9	Apartment
G-25	Proceed Aratamabashi	2,046,695	5,335.93	4,778.92	89.6	1.7	Apartment
Total		33,184,586	57,631.47	55,732.99	96.7	31.2	-

(Note 1) For "Book value," the figures less than the specified unit are rounded down.

(Note 2) "Leasable floor area" means the total leasable floor area of each building, not including the leasable area of land (flat parking lot), and indicates the figure stated in the lease agreement and the drawings of the relevant property.

(Note 3) "Leased floor area" means the total leased floor area of each building, not including the leased area of land, and indicates the figure stated in the lease agreement.

(Note 4) "Ratio to total rent revenue" refers to the ratio of rent revenue of each property to rent revenue of the entire portfolio, and is rounded to the first decimal place. Accordingly, the sum of the figure of each item may not equal the total.

(3) Details of real estate properties in the portfolio

The following table provides details of the assets (real estate or trust beneficiary interest in real estate as major trust property) owned by SPI as of October 31, 2023.

Property number	Property name	Location (residential address)	Form of ownership	Leasable floor area (m ²)	Period-end appraisal value (thousand yen) (Note)	Book value (thousand yen)
C-1	Proceed Ichikawa	2-33-17 Shinden, Ichikawa, Chiba	Trust beneficiary interest	3,322.17	1,570,000	976,458
C-2	Proceed Toyochō	2-1-7 Minamisuna, Koto-ku, Tokyo	Trust beneficiary interest	1,085.56	998,000	556,872
C-3	Proceed Kasai	5-41-6 Nakakasai, Edogawa-ku, Tokyo	Trust beneficiary interest	1,243.80	910,000	579,028
C-4	Proceed Sangenjaya	2-41-1 Sangenjaya, Setagaya-ku, Tokyo	Trust beneficiary interest	1,019.27	687,000	602,088
C-5	Proceed Mizue	3-24-10 Minamishinozakimachi, Edogawa-ku, Tokyo	Trust beneficiary interest	2,076.68	822,000	607,618
C-6	Proceed Funabashi Miyamoto	1-22-13 Miyamoto, Funabashi, Chiba	Trust beneficiary interest	1,685.73	620,000	436,714
C-7	Proceed Minamikasai	6-2-26 Minamikasai, Edogawa-ku, Tokyo	Trust beneficiary interest	1,045.28	339,000	312,324
C-9	Proceed Gyotoku	8-2 Irifune, Ichikawa, Chiba	Trust beneficiary interest	1,218.56	367,000	339,790
C-10	Proceed Makuharihongo	6-2-15 Makuharihongo, Hanamigawa-ku, Chiba, Chiba	Trust beneficiary interest	963.00	347,000	264,780
C-11	Proceed Minamigyotoku	3-12-10 Fukuei, Ichikawa, Chiba	Trust beneficiary interest	838.95	363,000	288,129
C-12	Proceed Makuharihongo 2	5-19-13 Makuharihongo, Hanamigawa-ku, Chiba, Chiba	Trust beneficiary interest	1,104.84	244,000	224,191
C-14	Proceed Funabori	5-5-16 Funabori, Edogawa-ku, Tokyo	Trust beneficiary interest	479.52	247,000	230,399
C-15	Proceed Takenozuka	2-16-6 Iriya, Adachi-ku, Tokyo	Trust beneficiary interest	860.55	254,000	165,707
C-16	Proceed Sengendai 2	5-7-6 Sengendainishi, Koshigaya, Saitama	Trust beneficiary interest	695.81	122,000	86,902
C-17	Proceed Shoto	2-3-11 Shoto, Shibuya-ku, Tokyo	Trust beneficiary interest	890.22	1,090,000	875,781
C-18	Proceed Sangubashi	3-57-10 Yoyogi, Shibuya-ku, Tokyo	Trust beneficiary interest	527.88	554,000	479,593
C-19	Proceed Urayasu	1-2-1 Fujimi, Urayasu, Chiba	Trust beneficiary interest	1,786.58	456,000	443,186
C-20	Proceed Shinkoiwa	2-31-14 Matsushima, Edogawa-ku, Tokyo	Trust beneficiary interest	1,629.07	553,000	517,742
C-23	Proceed Toritsudaigaku	1-5-8 Yakumo, Meguro-ku, Tokyo	Trust beneficiary interest	808.65	905,000	756,275
C-24	Proceed Toritsudaigaku 2	1-2-3 Tairamachi, Meguro-ku, Tokyo	Trust beneficiary interest	831.74	914,000	714,147
C-25	Proceed Honjozumabashi	4-15-13 Higashikomagata, Sumida-ku, Tokyo	Trust beneficiary interest	570.53	519,000	283,997
C-26	Proceed Meguro Aobadai	3-5-2 Aobadai, Meguro-ku, Tokyo	Trust beneficiary interest	485.15	478,000	445,615
C-27	Proceed Suginami Miyamae	1-15-12 Miyamae, Suginami-ku, Tokyo	Trust beneficiary interest	680.50	505,000	416,261
C-28	Proceed Ryogoku	1-20-4 Midori, Sumida-ku, Tokyo	Trust beneficiary interest	702.54	646,000	416,356
C-29	Proceed Mita	2-30-9 Shiba, Minato-ku, Tokyo	Trust beneficiary interest	1,500.57	1,580,000	1,392,100
C-31	Proceed Kameido	9-5-13 Kameido, Koto-ku, Tokyo	Trust beneficiary interest	853.98	346,000	361,974
C-32	Proceed Takadanobaba	3-43-18 Takadanobaba, Shinjuku-ku, Tokyo	Trust beneficiary interest	278.36	290,000	243,770
C-33	Proceed Shinkoenji	3-10-21 Horinouchi, Suginami-ku, Tokyo	Trust beneficiary interest	1,040.24	894,000	758,672
C-36	Proceed Oimachi	5-8-9 Higashioi, Shinagawa-ku, Tokyo	Trust beneficiary interest	961.88	950,000	962,776

Property number	Property name	Location (residential address)	Form of ownership	Leasable floor area (m ²)	Period-end appraisal value (thousand yen) (Note)	Book value (thousand yen)
C-37	Proceed Jujo	4-9-17 Kamijujo, Kita-ku, Tokyo	Trust beneficiary interest	1,206.90	558,000	540,691
C-41	Proceed Nishiarai	1-18-11, 12, 13 and 14, Nishiaraisakaecho, Adachi-ku, Tokyo	Trust beneficiary interest	20,137.85	6,920,000	2,721,065
C-42	Proceed Chofu	1-28-4 Fuda, Chofu, Tokyo	Trust beneficiary interest	764.48	619,000	382,019
C-43	Proceed TX Rokucho	1-16-17 Higashihokima, Adachi-ku, Tokyo	Trust beneficiary interest	518.31	184,000	173,017
C-44	Proceed Nakagawara	5-10-1 Bubaicho, Fuchu, Tokyo	Trust beneficiary interest	3,061.94	1,390,000	1,187,510
C-45	Proceed Oizumigakuen	4-19-6 Higashioizumi, Nerima-ku, Tokyo	Trust beneficiary interest	483.43	282,000	283,898
C-46	Proceed Chitosekarasuyama	2-38-30 Kamisoshigaya, Setagaya-ku, Tokyo	Trust beneficiary interest	449.96	334,000	321,639
C-47	Proceed Mitaka	3-16-3 Shimorenjaku, Mitaka, Tokyo	Trust beneficiary interest	739.48	581,000	511,484
C-48	Proceed Kashiwa Est	3-8-19 Kashiwa, Kashiwa, Chiba	Trust beneficiary interest	1,279.93	739,000	651,670
C-49	Proceed Kashiwa Nord	5-8-17 Kashiwa, Kashiwa, Chiba	Trust beneficiary interest	1,391.55	627,000	600,620
C-50	Proceed Gyotokuekimae	2-1-18 Gyotokuekimae, Ichikawa, Chiba	Trust beneficiary interest	659.68	373,000	254,706
C-51	Proceed Funabashi Honcho	6-19-18 Honcho, Funabashi, Chiba	Trust beneficiary interest	996.44	591,000	477,934
C-53	Proceed Gumyoji	1-4-12 Nakazato, Minami-ku, Yokohama, Kanagawa	Trust beneficiary interest	1,246.48	572,000	542,323
C-54	Proceed Tsurugamine	2-9-6 Tsurugamine, Asahi-ku, Yokohama, Kanagawa	Trust beneficiary interest	855.00	381,000	352,307
C-55	Proceed Sagamiotsuka	2-13-5 Sakuramori, Yamato, Kanagawa	Trust beneficiary interest	741.24	218,000	221,614
C-58	Proceed Shinozaki Tower	7-20-19 Shinozakimachi, Edogawa-ku, Tokyo	Trust beneficiary interest	5,117.49	2,260,000	1,215,024
C-59	Proceed Tobu Nerima	1-3-11 Tokumaru, Itabashi-ku, Tokyo	Trust beneficiary interest	779.84	593,000	399,093
C-60	Proceed Yukigaya	1-15-20 Minamiyukigaya, Ota-ku, Tokyo	Trust beneficiary interest	600.62	401,000	349,952
C-61	Proceed Ichikawa Minami	1-9-27 Ichikawaminami, Ichikawa, Chiba	Trust beneficiary interest	1,635.59	1,030,000	689,838
C-62	Proceed Ichikawa Myoden	2-14-15 Shioyaki, Ichikawa, Chiba	Trust beneficiary interest	945.00	660,000	511,899
C-63	Proceed Fujisawa Kugenuma	2-6-6 Kugenumaishigami, Fujisawa, Kanagawa	Trust beneficiary interest	2,005.76	928,000	721,246
C-64	Proceed Nihonbashi-horidomecho	2-4-8 Nihonbashihoridomecho, Chuo-ku, Tokyo	Trust beneficiary interest	1,904.45	2,000,000	1,492,215
C-65	Proceed TX Nagareyama Central Park	UN B139 District 3-2, 9-3 177-1 Maehirai, Nagareyama, Chiba	Trust beneficiary interest	2,976.85	1,180,000	806,044
C-66	Proceed Gyotoku 2	1-6-6 Fukuei, Ichikawa, Chiba	Trust beneficiary interest	1,626.54	1,010,000	808,782
C-67	Proceed Nishikasai	2-7-6 and 2-7-1, Seishin-cho, Edogawa-ku, Tokyo	Trust beneficiary interest	2,993.52	1,110,000	941,790
C-68	Proceed Kasai 2	7-15-7 Higashikasai, Edogawa-ku, Tokyo	Trust beneficiary interest	2,140.59	1,040,000	812,076
C-69	Proceed Nihonbashi Honcho	4-10-5 Nihonbashihoncho, Chuo-ku, Tokyo	Trust beneficiary interest	2,553.89	2,820,000	2,576,635
C-70	Proceed Nishi Shinjuku	3-7-23 Nishishinjuku, Shinjuku-ku, Tokyo	Trust beneficiary interest	2,461.88	2,820,000	2,684,816
C-71	Proceed Unoki	2-43-7 Unoki, Ota-ku, Tokyo	Trust beneficiary interest	1,260.58	1,120,000	892,570
C-72	Proceed Minamigyotoku 2	3-3-20 Fukuei, Ichikawa, Chiba	Trust beneficiary interest	2,832.74	1,280,000	1,029,562
C-73	Proceed CO-Z East Building	4-12 Kozunomori, Narita, Chiba	Trust beneficiary interest	6,873.33	2,250,000	1,893,706

Property number	Property name	Location (residential address)	Form of ownership	Leasable floor area (m ²)	Period-end appraisal value (thousand yen) (Note)	Book value (thousand yen)
C-74	Proceed CO-Z West Building	4-1-1 Kozunomori, Narita, Chiba	Trust beneficiary interest	3,716.05	1,180,000	1,018,781
C-75	Proceed Shin Yokohama	3-21-2 Shin Yokohama, Kohoku-ku, Yokohama, Kanagawa	Trust beneficiary interest	5,457.56	4,840,000	4,319,552
C-76	Life Support Residence Funaboriekimae	4-8-10 Funabori, Edogawa-ku, Tokyo	Trust beneficiary interest	1,408.71	448,000	239,856
C-77	Proceed Kinshicho	4-6-9 Kamezawa, Sumida-ku, Tokyo	Trust beneficiary interest	2,302.92	2,230,000	2,222,216
C-78	Proceed K2	6-8-37 Kashiwa, Kashiwa, Chiba	Trust beneficiary interest	4,140.69	1,380,000	1,237,051
C-79	Proceed K3 Annex	1023-1 Kashiwa, Kashiwa, Chiba	Trust beneficiary interest	1,590.30	324,000	300,813
C-80	Proceed K5	6-8-38 Kashiwa, Kashiwa, Chiba	Trust beneficiary interest	788.95	277,000	284,405
C-81	Proceed Ichikawa Myoden II	2-14-20 Shioyaki, Ichikawa, Chiba	Trust beneficiary interest	1,218.00	871,000	835,784
C-82	The Parkhabio Yokohama Yamate	2-78-11 Ishikawa-cho, Naka-ku, Yokohama, Kanagawa	Trust beneficiary interest	2,654.69	3,230,000	3,161,389
C-83	Proceed Monzennakacho	1-7-8 Fukuzumi, Koto-ku, Tokyo	Trust beneficiary interest	1,515.81	1,490,000	1,267,435
C-84	Proceed Maihama	4-14-13 Fujimi, Urayasu, Chiba	Trust beneficiary interest	1,735.31	1,350,000	1,060,650
C-85	Proceed Nagareyama Otakanomori	1-2-3 Otakanomorikita, Nagareyama, Chiba	Trust beneficiary interest	1,730.96	1,220,000	1,130,243
C-86	Proceed Shinkawa	1-25-14 Shinkawa, Chuo-ku, Tokyo	Trust beneficiary interest	579.96	560,000	530,246
C-87	Proceed Kinshicho 2	5-14-11 Kotobashi, Sumida-ku, Tokyo	Trust beneficiary interest	668.54	553,000	572,533
C-88	Proceed Ishikawadai	2-24-7 Higashiyukigaya, Ota-ku, Tokyo	Trust beneficiary interest	1,105.45	911,000	857,293
C-89	Alpha Grande Chizakura Tower	25 Kandahigashimatsushitacho, Chiyoda-ku, Tokyo	Trust beneficiary interest	4,437.47	2,960,000	3,091,572
C-90	Proceed Yamashita Koen The Tower	27 Yamashitacho, Naka-ku, Yokohama, Kanagawa	Trust beneficiary interest	8,154.58	8,000,000	8,145,852
C-91	Shinozaki Twin Place	7-20-19 and 7-21-5 Shinozakimachi, Edogawa-ku, Tokyo	Trust beneficiary interest	3,997.56	1,710,000	1,690,897
C-92	Proceed Minamisunamachi	5-12-5 Minamisuna, Koto-ku, Tokyo	Trust beneficiary interest	872.95	781,000	807,501
C-93	Proceed Matsudo	19-3 Honcho, Matsudo, Chiba	Trust beneficiary interest	827.56	514,000	527,724
G-8	Proceed Taikodori	4-31 Taikotori, Nakamura-ku, Nagoya, Aichi	Trust beneficiary interest	1,101.56	519,000	314,727
G-11	Proceed Honamicho	3-55 Honamicho, Chikusa-ku, Nagoya, Aichi	Trust beneficiary interest	620.22	264,000	217,203
G-13	Proceed Shinsakae	1-28-21 Shinsakae, Naka-ku, Nagoya, Aichi	Trust beneficiary interest	1,958.44	927,000	591,451
G-14	Proceed Chiyoda	2-10-16 Chiyoda, Naka-ku, Nagoya, Aichi	Trust beneficiary interest	922.40	363,000	229,001
G-15	Proceed Fukuoka Takamiya	1-7-15 Noma, Minami-ku, Fukuoka, Fukuoka	Trust beneficiary interest	1,312.29	527,000	396,676
G-17	Proceed Kanayama	3-11-9 Kanayama, Naka-ku, Nagoya, Aichi	Trust beneficiary interest	2,733.58	1,550,000	876,092
G-18	Proceed Fukiage	2-22-1 Kurumadacho, Showa-ku, Nagoya, Aichi	Trust beneficiary interest	1,204.65	662,000	425,752
G-19	Proceed Toyota	3-51 Shinmeicho, Toyota, Aichi	Trust beneficiary interest	752.04	336,000	187,191
G-21	Proceed Nishitenma	3-7-3 Nishitenma, Kita-ku, Osaka, Osaka	Trust beneficiary interest	1,775.89	1,210,000	842,855
G-22	Proceed Kobemotomachi	3-5-2 Sakaemachidori, Chuo-ku, Kobe, Hyogo	Trust beneficiary interest	1,590.64	1,070,000	804,782
G-23	Group Home Tanoshii Ie Taisho	3-14-8 Hirao, Taisho-ku, Osaka, Osaka	Trust beneficiary interest	482.72	189,000	151,698

Property number	Property name	Location (residential address)	Form of ownership	Leasable floor area (m ²)	Period-end appraisal value (thousand yen) (Note)	Book value (thousand yen)
G-24	Proceed Kanayama 2	2-1-22 Kanayama, Naka-ku, Nagoya, Aichi	Trust beneficiary interest	4,218.01	2,490,000	1,927,385
G-25	Proceed Aratamabashi	8-17-2 Mizuhodori, Mizuho-ku, Nagoya, Aichi	Trust beneficiary interest	5,335.93	2,270,000	2,046,695
G-26	Proceed Bentencho	2-5-12 Ichioka Motomachi, Minato-ku, Osaka, Osaka	Trust beneficiary interest	4,134.70	2,410,000	2,214,792
G-27	Proceed Nagaikoendori	2-9-19 Minamisumiyoshi, Sumiyoshi-ku, Osaka, Osaka	Trust beneficiary interest	2,170.80	1,090,000	1,082,266
G-30	Proceed Hyogoekimaedori	1-3-22 Ekimaedori, Hyogo-ku, Kobe, Hyogo	Trust beneficiary interest	3,086.99	1,820,000	1,753,510
G-31	Proceed Mizuho	2-43 Mizuhodori, Mizuho-ku, Nagoya, Aichi	Trust beneficiary interest	1,126.40	545,000	536,786
G-32	Proceed Osu	1-29-32 Osu, Naka-ku, Nagoya, Aichi	Trust beneficiary interest	1,851.30	955,000	780,783
G-33	Proceed Sendai Kozurushinden	3-13-3 Shinden Higashi, Miyagino-ku, Sendai, Miyagi	Trust beneficiary interest	1,913.28	807,000	742,121
G-34	Proceed Sendai Kamisugi	2-4-30 Kamisugi, Aoba-ku, Sendai, Miyagi	Trust beneficiary interest	3,409.93	1,880,000	1,493,226
G-35	Proceed Kanayama 3	2-4-26 Masaki, Naka-ku, Nagoya, Aichi	Trust beneficiary interest	1,799.52	942,000	777,234
G-36	Proceed Tsurigane	2-1-5 Tsuriganecho, Chuo-ku, Osaka, Osaka	Trust beneficiary interest	1,072.24	855,000	867,195
G-37	Proceed Fukaebashi	2-1-2 Fukaekita, Higashinari-ku, Osaka, Osaka	Trust beneficiary interest	1,609.14	1,360,000	1,391,194
G-38	Proceed Nishioji	54 Shichijo Goshonouchi Nakamachi, Shimogyo-ku, Kyoto, Kyoto	Trust beneficiary interest	1,460.96	822,000	814,850
R-2	Proceed Mito	3-4-14 Omachi, Mito, Ibaraki	Trust beneficiary interest	1,223.83	491,000	279,200
R-3	Proceed Mito 2	3-2-31 Omachi, Mito, Ibaraki	Trust beneficiary interest	1,381.34	524,000	313,089
R-4	Proceed Tsukuba Gakuentoshi	3-9-4 Ninomiya, Tsukuba, Ibaraki	Trust beneficiary interest	2,659.71	921,000	722,328
R-5	Proceed Mito 3	3-1-41 Minamimachi, Mito, Ibaraki	Trust beneficiary interest	2,258.88	898,000	840,729
Total				208,500.36	118,967,000	98,709,646

(Note) “Period-end appraisal value” refers to the appraisal value or survey value by real estate appraisers (by appraisal or survey benchmarked to the price by the income approach with October 31, 2023, as the appraisal or survey date), based on the Articles of Incorporation of SPI and the Cabinet Office Order on “Regulations on calculations of investment corporations.”

The following table provides changes in rent business results for each of the investment properties of SPI.

Property number	Property name	35th period (as of April 30, 2023)				36th period (as of October 31, 2023)			
		Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)	Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)
C-1	Proceed Ichikawa	49	98.2	46,330	1.3	50	100.0	46,420	1.3
C-2	Proceed Toyochō	45	100.0	22,999	0.6	45	100.0	22,999	0.7
C-3	Proceed Kasai	57	100.0	29,121	0.8	55	96.5	25,001	0.7
C-4	Proceed Sangenjaya	9	100.0	21,322	0.6	9	100.0	20,970	0.6
C-5	Proceed Mizue	27	96.5	27,395	0.8	28	100.0	27,480	0.8
C-6	Proceed Funabashi Miyamoto	32	97.5	23,100	0.6	33	100.0	23,275	0.7
C-7	Proceed Minamikasai	15	93.2	12,840	0.4	16	100.0	12,649	0.4

Property number	Property name	35th period (as of April 30, 2023)				36th period (as of October 31, 2023)			
		Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)	Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)
C-9	Proceed Gyotoku	20	100.0	12,546	0.4	19	95.0	12,688	0.4
C-10	Proceed Makuharihongo	33	97.0	12,201	0.3	32	94.1	12,427	0.4
C-11	Proceed Minamigyotoku	26	100.0	12,734	0.4	24	92.1	12,594	0.4
C-12	Proceed Makuharihongo 2	22	100.0	10,655	0.3	22	100.0	11,304	0.3
C-14	Proceed Funabori	24	100.0	9,220	0.3	24	100.0	9,340	0.3
C-15	Proceed Takenozuka	15	100.0	8,488	0.2	15	100.0	8,602	0.2
C-16	Proceed Sengendai 2	12	100.0	5,349	0.2	12	100.0	5,629	0.2
C-17	Proceed Shoto	38	95.5	27,735	0.8	39	97.7	28,000	0.8
C-18	Proceed Sangubashi	26	100.0	13,977	0.4	26	100.0	15,149	0.4
C-19	Proceed Urayasu	21	100.0	18,791	0.5	21	100.0	19,015	0.5
C-20	Proceed Shinkoiwa	27	100.0	21,609	0.6	27	100.0	21,170	0.6
C-23	Proceed Toritsudaigaku	34	92.1	22,318	0.6	36	97.4	21,940	0.6
C-24	Proceed Toritsudaigaku 2	36	100.0	21,504	0.6	36	100.0	21,502	0.6
C-25	Proceed Honjoazumabashi	18	94.8	12,471	0.4	19	100.0	12,033	0.3
C-26	Proceed Meguro Aobadai	24	100.0	13,008	0.4	23	96.0	13,719	0.4
C-27	Proceed Suginami Miyamae	29	100.0	13,804	0.4	29	100.0	13,788	0.4
C-28	Proceed Ryogoku	27	100.0	14,790	0.4	27	100.0	14,805	0.4
C-29	Proceed Mita	72	100.0	40,937	1.2	72	100.0	40,937	1.2
C-31	Proceed Kameido	23	100.0	10,978	0.3	23	100.0	10,962	0.3
C-32	Proceed Takadanobaba	17	100.0	7,620	0.2	17	100.0	7,620	0.2
C-33	Proceed Shinkoenji	57	100.0	24,120	0.7	57	100.0	24,136	0.7
C-34	Proceed Koenjiminami	-	-	8,298	0.2	-	-	-	-
C-36	Proceed Oimachi	59	100.0	25,176	0.7	59	100.0	25,178	0.7
C-37	Proceed Jujo	30	100.0	16,445	0.5	30	100.0	16,424	0.5
C-38	Proceed Hakuraku	-	-	8,646	0.2	-	-	-	-
C-41	Proceed Nishiarai	291	98.9	309,024	8.7	292	99.4	306,750	8.7
C-42	Proceed Chofu	25	96.1	17,039	0.5	25	96.6	16,932	0.5
C-43	Proceed TX Rokucho	20	100.0	6,963	0.2	20	100.0	7,051	0.2
C-44	Proceed Nakagawara	52	97.1	42,186	1.2	51	95.0	41,027	1.2
C-45	Proceed Oizumigakuen	29	100.0	9,816	0.3	29	100.0	9,904	0.3
C-46	Proceed Chitosekarasuyama	26	92.9	10,302	0.3	27	96.4	10,253	0.3
C-47	Proceed Mitaka	47	100.0	16,150	0.5	47	100.0	16,167	0.5
C-48	Proceed Kashiwa Est	44	100.0	23,631	0.7	44	100.0	23,300	0.7

Property number	Property name	35th period (as of April 30, 2023)				36th period (as of October 31, 2023)			
		Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)	Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)
C-49	Proceed Kashiwa Nord	46	97.9	20,689	0.6	46	98.1	20,739	0.6
C-50	Proceed Gyotokuekimae	24	100.0	11,260	0.3	23	95.7	11,384	0.3
C-51	Proceed Funabashi Honcho	39	97.5	19,514	0.5	40	100.0	19,210	0.5
C-53	Proceed Gumyoji	72	93.7	22,041	0.6	70	91.2	21,090	0.6
C-54	Proceed Tsurugamine	49	98.0	14,613	0.4	48	96.0	14,320	0.4
C-55	Proceed Sagamiotsuka	28	97.2	9,195	0.3	29	100.0	8,712	0.2
C-57	Proceed Kashiwa Trois	-	-	21,666	0.6	-	-	-	-
C-58	Proceed Shinozaki Tower	87	98.8	93,674	2.6	88	100.0	92,024	2.6
C-59	Proceed Tobu Nerima	35	100.0	18,942	0.5	34	97.3	18,020	0.5
C-60	Proceed Yukigaya	34	97.2	12,941	0.4	35	100.0	13,702	0.4
C-61	Proceed Ichikawa Minami	65	98.2	30,910	0.9	63	95.0	31,908	0.9
C-62	Proceed Ichikawa Myoden	43	95.6	19,267	0.5	45	100.0	18,793	0.5
C-63	Proceed Fujisawa Kugenuma	24	97.0	33,649	0.9	25	100.0	33,099	0.9
C-64	Proceed Nihonbashi-horidomecho	35	93.9	43,039	1.2	37	100.0	42,961	1.2
C-65	Proceed TX Nagareyama Central Park	73	100.0	45,276	1.3	72	99.1	44,385	1.3
C-66	Proceed Gyotoku 2	58	98.3	28,462	0.8	58	98.3	29,646	0.8
C-67	Proceed Nishikasai	62	98.3	38,972	1.1	63	100.0	39,707	1.1
C-68	Proceed Kasai 2	28	97.5	31,783	0.9	29	100.0	31,238	0.9
C-69	Proceed Nihonbashi Honcho	80	95.1	61,073	1.7	81	97.5	61,047	1.7
C-70	Proceed Nishi Shinjuku	62	93.3	63,895	1.8	63	96.1	64,888	1.8
C-71	Proceed Unoki	29	100.0	28,154	0.8	29	100.0	29,395	0.8
C-72	Proceed Minamigyotoku 2	35	97.3	39,347	1.1	35	96.3	39,327	1.1
C-73	Proceed CO-Z East Building	105	94.7	80,311	2.3	111	98.8	77,774	2.2
C-74	Proceed CO-Z West Building	65	91.0	41,774	1.2	71	100.0	40,481	1.1
C-75	Proceed Shin Yokohama	220	97.3	119,660	3.4	219	97.1	122,824	3.5
C-76	Life Support Residence Funaboriekimae	2	100.0	11,774	0.3	2	100.0	11,774	0.3
C-77	Proceed Kinshicho	60	93.8	54,512	1.5	62	97.4	53,101	1.5
C-78	Proceed K2	55	93.5	46,697	1.3	58	97.1	48,569	1.4
C-79	Proceed K3 Annex	23	95.9	12,652	0.4	24	100.0	12,783	0.4
C-80	Proceed K5	14	81.9	9,121	0.3	16	92.4	9,058	0.3
C-81	Proceed Ichikawa Myoden II	58	100.0	26,796	0.8	58	100.0	31,008	0.9

Property number	Property name	35th period (as of April 30, 2023)				36th period (as of October 31, 2023)			
		Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)	Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)
C-82	The Parkhabio Yokohama Yamate	74	98.1	67,700	1.9	74	97.7	68,772	1.9
C-83	Proceed Monzennakacho	47	97.7	36,158	1.0	47	98.0	36,197	1.0
C-84	Proceed Maihama	64	97.0	34,795	1.0	65	98.5	34,534	1.0
C-85	Proceed Nagareyama Otakanomori	48	95.8	33,616	0.9	50	100.0	34,024	1.0
C-86	Proceed Shinkawa	18	100.0	13,134	0.4	15	82.1	13,755	0.4
C-87	Proceed Kinshicho 2	19	100.0	13,630	0.4	18	95.4	13,281	0.4
C-88	Proceed Ishikawadai	24	96.2	24,054	0.7	25	100.0	23,105	0.7
C-89	Alpha Grande Chizakura Tower	66	97.5	95,375	2.7	67	98.8	95,375	2.7
C-90	Proceed Yamashita Koen The Tower	138	95.1	205,365	5.8	141	93.8	201,810	5.7
C-91	Shinozaki Twin Place	4	100.0	80,746	2.3	4	100.0	83,650	2.4
C-92	Proceed Minamisunamachi	34	100.0	20,156	0.6	33	97.1	20,116	0.6
C-93	Proceed Matsudo	27	93.9	222	0.0	29	100.0	14,674	0.4
G-8	Proceed Taikodori	40	91.2	16,463	0.5	42	95.6	16,399	0.5
G-11	Proceed Honamicho	10	100.0	6,714	0.2	9	88.0	7,922	0.2
G-13	Proceed Shinsakae	68	88.7	30,318	0.9	66	85.9	29,738	0.8
G-14	Proceed Chiyoda	30	100.0	13,353	0.4	28	93.6	13,569	0.4
G-15	Proceed Fukuoka Takamiya	45	97.5	18,258	0.5	44	94.8	18,387	0.5
G-17	Proceed Kanayama	89	94.4	43,972	1.2	89	95.0	44,448	1.3
G-18	Proceed Fukiage	46	95.6	19,312	0.5	46	96.0	20,121	0.6
G-19	Proceed Toyota	23	86.9	13,063	0.4	26	96.7	12,098	0.3
G-21	Proceed Nishitenma	55	97.8	32,338	0.9	53	93.9	32,242	0.9
G-22	Proceed Kobemotomachi	59	96.9	30,823	0.9	58	95.4	30,528	0.9
G-23	Group Home Tanoshii Ie Taisho	1	100.0	6,000	0.2	1	100.0	6,000	0.2
G-24	Proceed Kanayama 2	66	92.2	65,628	1.8	67	93.2	64,769	1.8
G-25	Proceed Aratamabashi	62	83.4	57,177	1.6	67	89.6	59,239	1.7
G-26	Proceed Bentencho	125	99.0	68,217	1.9	119	94.6	67,484	1.9
G-27	Proceed Nagaikoendori	78	96.3	32,521	0.9	77	95.1	32,889	0.9
G-30	Proceed Hyogoekimaedori	112	95.9	49,038	1.4	115	98.4	55,165	1.6
G-31	Proceed Mizuho	39	97.3	16,978	0.5	39	97.3	17,704	0.5
G-32	Proceed Osu	58	87.9	26,827	0.8	57	86.4	25,809	0.7
G-33	Proceed Sendai Kozurushinden	58	92.2	25,287	0.7	55	87.2	24,718	0.7
G-34	Proceed Sendai Kamisugi	102	94.8	59,313	1.7	104	95.7	57,990	1.6

Property number	Property name	35th period (as of April 30, 2023)				36th period (as of October 31, 2023)			
		Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)	Number of leased units at period-end (units) (Note 1)	Occupancy rate at period-end (%)	Rent revenue throughout period (thousand yen)	Ratio to total rent revenue (%) (Note 2)
G-35	Proceed Kanayama 3	57	93.8	27,881	0.8	56	93.2	28,211	0.8
G-36	Proceed Tsurigane	22	84.6	20,140	0.6	26	100.0	18,782	0.5
G-37	Proceed Fukaebashi	63	100.0	30,702	0.9	61	97.0	32,318	0.9
G-38	Proceed Nishioji	-	-	-	-	35	97.3	3,492	0.1
R-2	Proceed Mito	35	97.5	16,987	0.5	30	84.3	15,534	0.4
R-3	Proceed Mito 2	29	82.7	18,373	0.5	32	89.7	16,416	0.5
R-4	Proceed Tsukuba Gakuentoshi	32	94.4	28,588	0.8	32	93.9	28,972	0.8
R-5	Proceed Mito 3	59	98.5	32,169	0.9	60	100.0	29,940	0.8
Total		5,094	96.3	3,554,688	100.0	5,156	97.1	3,532,337	100.0

(Note 1) “Number of leased units” indicates the number of end tenants (tenants under ongoing sublease agreement with master lease companies) of each property. For properties under fixed-rent-type master lease agreement, all units are deemed to be occupied.

(Note 2) “Ratio to total rent revenue” refers to the ratio of rent revenue of each property to rent revenue of the entire portfolio, and is rounded to the first decimal place.

(Note 3) SPI disposed (C-34) Proceed Koenjiminami, (C-38) Proceed Hakuraku and (C-57) Proceed Kashiwa Trois on April 28, 2023.

(4) Contract amount and fair value of specified transactions

The following table provides the contract amount of SPI’s specified transactions and the status of its fair value as of October 31, 2023.

Category	Type	Contract amount etc. (Note 1)		Fair value
			Of which, exceeding 1 year	
Off-market transaction	Interest rate swap transactions Receivable floating; Payable fixed	31,595,000	31,595,000	(Note 2)

(Note 1) The contract amount, etc. of the interest rate swap transactions is based on the notional principal amount.

(Note 2) The fair value is omitted for the transactions that meet the requirements for special accounting pursuant to the Accounting Standard for Financial Instruments.

(5) Status of other assets

Trust beneficiary interests in real estate as major trust property are listed on the aforementioned “(3) Details of real estate properties in the portfolio.” As of October 31, 2023, there is no incorporation of major specified assets as principal investment targets by SPI, other than assets in the aforementioned section.

4. Capital Expenditures of Real Estate Held

(1) Schedule of capital expenditures

The following table provides amounts of major capital expenditures that accompany renovation work currently planned for assets that have been acquired as of the date of this document. The planned construction costs include portions that are separately accounted under expenses.

Property name (Location)	Purpose	Schedule period	Planned construction cost (thousand yen) (Note)		
			Total amount	Payment in the 36th fiscal period	Total amount already paid
Proceed Kanayama 2 (Naka-ku, Nagoya, Aichi)	Refreshment of exterior finishes	From Aug. 2023 to Jan. 2024	88,000	-	-
Proceed K2 (Kashiwa, Chiba)	Refreshment of exterior finishes	From Aug. 2023 to Apr. 2024	69,300	-	-

(Note) Figures are rounded down to the nearest thousand yen.

(2) Capital expenditures during period

The following table provides the overview of major capital expenditures SPI conducted at its already-acquired assets in the 36th fiscal period. Capital expenditures during the fiscal period totaled 214,329 thousand yen. Combined with repair expenses of 145,567 thousand yen that were classified as expenses for the fiscal period, SPI implemented 359,896 thousand yen worth of construction works in the fiscal period.

Property name (Location)	Purpose	Period	Total expenditures (thousand yen) (Note)
Proceed Kobemotomachi (Chuo-ku, Kobe, Hyogo)	Refreshment of exterior finishes	From May 2023 to Oct. 2023	53,012
Proceed Shinkoiwa (Edogawa-ku, Tokyo)	Refreshment of exterior finishes	From Jan. 2023 to May 2023	31,734
Other constructions			129,582
Total			214,329

(Note) Figures are rounded down to the nearest thousand yen.

(3) Cash reserves for long-term repair and maintenance plans

Based on the long-term repairs and maintenance plans prepared for each property, SPI sets aside repair reserves from the cash flows during the fiscal period, as shown below, in order to fund large-scale repairs, etc.

[Unit: thousand yen]

Fiscal period	32nd period	33rd period	34th period	35th period	36th period
Operation period	From May 1, 2021, to Oct. 31, 2021	From Nov. 1, 2021, to Apr. 30, 2022	From May 1, 2022, to Oct. 31, 2022	From Nov. 1, 2022, to Apr. 30, 2023	From May 1, 2023, to Oct. 31, 2023
Balance of reserves at beginning of period	700,000	750,000	800,000	850,000	900,000
Reserves during the period	50,000	50,000	50,000	50,000	50,000
Reversal of reserves during the period	-	-	-	-	-
Amount carried forward to the next period	750,000	800,000	850,000	900,000	950,000

(Note) Figures are rounded down to the nearest thousand yen.

5. Status of Expenses and Liabilities

(1) Details of expenses related to asset management

[Unit: thousand yen]

Item	35th period	36th period
	From Nov. 1, 2022, to Apr. 30, 2023	From May 1, 2023, to Oct. 31, 2023
(a) Asset management fees	375,124	326,423
(b) Asset custody fees	8,810	8,800
(c) Administrative service fees	25,254	23,792
(d) Directors' compensations	1,200	1,200
(e) Other operating expenses	105,718	132,722
Total	516,106	492,939

(Note) The asset management fee for the 35th fiscal period includes 70,031 thousand yen for asset management related to property acquisition, capitalized in the acquisition costs of respective properties, and 6,182 thousand yen for asset management related to property disposition. The asset management fee for the 36th fiscal period includes 7,454 thousand yen for asset management related to property acquisition, capitalized in the acquisition costs of respective properties.

(2) Debt financing status

The status of loans from respective financial institutions as of October 31, 2023, is as follows.

Classification	Lender	Drawdown date	Balance at	Balance at	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use	Remarks				
			beginning of 36th FP (thousand yen)	end of 36th FP (thousand yen)									
Long-Term Loans (Note 3)	Resona Bank, Limited	May 24, 2016	763,500	-	0.91182	May 24, 2023	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed				
	Aozora Bank, Ltd.		520,000	-									
	Sumitomo Mitsui Banking Corporation		408,500	-									
	The Chiba Bank, Ltd.		387,500	-									
	The Musashino Bank, Ltd.		387,500	-									
	Mizuho Bank, Ltd.		158,500	-									
	ORIX Bank Corporation		130,000	-									
	Sumitomo Mitsui Trust Bank, Limited		56,500	-									
	Mizuho Trust & Banking Co., Ltd.		50,000	-									
	The Kagawa Bank, Ltd.		11,500	-									
	The Bank of Yokohama, Ltd.		1,000,000	1,000,000									
	Resona Bank, Limited		519,000	519,000						0.75136	Nov. 24, 2023	Lump-sum repayment on repayment date	Refinancing
	Mizuho Bank, Ltd.	479,000	479,000										
	Sumitomo Mitsui Banking Corporation	479,000	479,000										
	The Chiba Bank, Ltd.	415,000	415,000										
	The Musashino Bank, Ltd.	415,000	415,000										
	Aozora Bank, Ltd.	321,000	321,000										
	Sumitomo Mitsui Trust Bank, Limited	171,000	171,000										
	ORIX Bank Corporation	167,000	167,000										
	The Kagawa Bank, Ltd.	34,000	34,000										
	Resona Bank, Limited	727,000	727,000	0.75136	May 24, 2024	Lump-sum repayment on repayment date	Part of funds for refinancing and acquisition of AUM	Unsecured Unguaranteed					
	Aozora Bank, Ltd.	450,000	450,000										
	The Bank of Kyoto, Ltd.	400,000	400,000										
	Mizuho Bank, Ltd.	299,000	299,000										
	Sumitomo Mitsui Banking Corporation	299,000	299,000										
	The Chiba Bank, Ltd.	259,000	259,000										
	The Musashino Bank, Ltd.	259,000	259,000										
	Sumitomo Mitsui Trust Bank, Limited	107,000	107,000										
	The Kagawa Bank, Ltd.	100,000	100,000										
	Aozora Bank, Ltd.	1,089,000	1,089,000						0.93000 (Note 2)	Nov. 22, 2024	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed
	Resona Bank, Limited	825,000	825,000										
	The Chiba Bank, Ltd.	382,000	382,000										
	The Musashino Bank, Ltd.	382,000	382,000										
	Mizuho Bank, Ltd.	357,000	357,000										
	The Kagawa Bank, Ltd.	325,000	325,000										
	Sumitomo Mitsui Banking Corporation	241,000	241,000										
	Sumitomo Mitsui Trust Bank, Limited	99,000	99,000										
	Aozora Bank, Ltd.	831,000	831,000	0.86000 (Note 2)	May 23, 2025	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed					
	Resona Bank, Limited	635,000	635,000										
	The Chiba Bank, Ltd.	356,000	356,000										
	The Musashino Bank, Ltd.	356,000	356,000										
	The Kagawa Bank, Ltd.	303,000	303,000										
Mizuho Bank, Ltd.	250,000	250,000											
Sumitomo Mitsui Banking Corporation	225,000	225,000											
Sumitomo Mitsui Trust Bank, Limited	93,000	93,000											
Resona Bank, Limited	449,000	449,000	0.87000 (Note 2)						Nov. 25, 2025	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed	
Aozora Bank, Ltd.	278,000	278,000											
Mizuho Bank, Ltd.	189,000	189,000											
Sumitomo Mitsui Banking Corporation	189,000	189,000											
The Chiba Bank, Ltd.	163,000	163,000											
The Musashino Bank, Ltd.	163,000	163,000											
Sumitomo Mitsui Trust Bank, Limited	69,000	69,000											
Resona Bank, Limited	1,095,000	1,095,000		0.92000 (Note 2)	May 22, 2026	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed					
Aozora Bank, Ltd.	1,060,000	1,060,000											
Mizuho Bank, Ltd.	917,000	917,000											
The Musashino Bank, Ltd.	480,000	480,000											
The Chiba Bank, Ltd.	470,000	470,000											
The Kagawa Bank, Ltd.	152,000	152,000											
Sumitomo Mitsui Trust Bank, Limited	146,000	146,000											
Aozora Bank, Ltd.	790,000	790,000	0.90000 (Note 2)						Nov. 24, 2026	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed	
Resona Bank, Limited	590,000	590,000											
The Chiba Bank, Ltd.	286,000	286,000											
The Musashino Bank, Ltd.	286,000	286,000											
Mizuho Bank, Ltd.	248,000	248,000											
The Kagawa Bank, Ltd.	244,000	244,000											
Sumitomo Mitsui Banking Corporation	181,000	181,000											
Sumitomo Mitsui Trust Bank, Limited	75,000	75,000											
Resona Bank, Limited	547,500	-		0.48182	May 24, 2023	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed					
Aozora Bank, Ltd.	530,000	-											
Mizuho Bank, Ltd.	458,000	-											
The Musashino Bank, Ltd.	240,000	-											
The Chiba Bank, Ltd.	235,000	-											
The Kagawa Bank, Ltd.	76,000	-											
Sumitomo Mitsui Trust Bank, Limited	72,500	-											
Resona Bank, Limited	548,000	548,000	0.53136						May 24, 2024	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed	
Aozora Bank, Ltd.	530,500	530,500											
Mizuho Bank, Ltd.	459,000	459,000											
The Musashino Bank, Ltd.	240,000	240,000											
The Chiba Bank, Ltd.	235,000	235,000											
The Kagawa Bank, Ltd.	76,000	76,000											
Sumitomo Mitsui Trust Bank, Limited	72,500	72,500											

Classification	Lender	Drawdown date	Balance at beginning of 36th FP (thousand yen)	Balance at end of 36th FP (thousand yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use	Description
Long-Term Loans (Note 3)	Resona Bank, Limited	Nov. 24, 2021	660,000	660,000	0.85000 (Note 2)	May 24, 2027	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed
	Aozora Bank, Ltd.		640,000	640,000					
	Mizuho Bank, Ltd.		550,000	550,000					
	The Chiba Bank, Ltd.		290,000	290,000					
	The Musashino Bank, Ltd.		280,000	280,000					
	The 77 Bank, Ltd.		200,000	200,000					
	The Kagawa Bank, Ltd.		100,000	100,000					
	Sumitomo Mitsui Trust Bank, Limited		100,000	100,000					
	Resona Bank, Limited		828,500	828,500					
	Aozora Bank, Ltd.		585,000	585,000					
	Sumitomo Mitsui Banking Corporation	408,500	408,500						
	The Chiba Bank, Ltd.	387,500	387,500						
	The Musashino Bank, Ltd.	387,500	387,500						
	Mizuho Bank, Ltd.	158,500	158,500						
	Sumitomo Mitsui Trust Bank, Limited	56,500	56,500						
	Mizuho Trust & Banking Co., Ltd.	50,000	50,000						
	The Kagawa Bank, Ltd.	11,500	11,500						
	Mizuho Bank, Ltd.	600,000	600,000						
	Sumitomo Mitsui Banking Corporation	600,000	600,000	1.01600 (Note 2)	Nov. 24, 2027	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed	
	Resona Bank, Limited	350,000	350,000						
	Aozora Bank, Ltd.	300,000	300,000						
	The Bank of Kyoto, Ltd.	200,000	200,000						
	The 77 Bank, Ltd.	200,000	200,000						
	The Joyo Bank, Ltd.	200,000	200,000						
	Sumitomo Mitsui Trust Bank, Limited	150,000	150,000						
	Mizuho Trust & Banking Co., Ltd.	100,000	100,000						
	The Kagawa Bank, Ltd.	100,000	100,000						
	Higashi-Nippon Bank, Ltd.	100,000	100,000						
	The Bank of Yokohama, Ltd.	3,000,000	3,000,000	1.16000 (Note 2)	Nov. 24, 2028	Lump-sum repayment on repayment date	Funds for acquisition of AUM	Unsecured Unguaranteed	
	Resona Bank, Limited	1,200,000	1,200,000						
	Resona Bank, Limited	700,000	700,000	0.60302	Nov. 24, 2026	Lump-sum repayment on repayment date	Funds for acquisition of AUM	Unsecured Unguaranteed	
	Mizuho Bank, Ltd.	600,000	600,000						
	Sumitomo Mitsui Banking Corporation	600,000	600,000						
	Aozora Bank, Ltd.	500,000	500,000						
	The Chiba Bank, Ltd.	400,000	400,000						
	The 77 Bank, Ltd.	100,000	100,000						
	The Joyo Bank, Ltd.	100,000	100,000						
	Mizuho Bank, Ltd.	1,090,000	1,090,000						
	The Musashino Bank, Ltd.	500,000	500,000	0.75302	May 24, 2029	Lump-sum repayment on repayment date	Refinancing	Unsecured Unguaranteed	
	The Chiba Bank, Ltd.	500,000	500,000						
	Sumitomo Mitsui Banking Corporation	500,000	500,000						
	The Nishi-Nippon City Bank, Ltd.	500,000	500,000						
Resona Bank, Limited	285,000	285,000							
Higashi-Nippon Bank, Ltd.	250,000	250,000							
Aozora Bank, Ltd.	215,000	215,000							
Asahi Shinkin Bank	150,000	150,000							
The Bank of Kyoto, Ltd.	100,000	100,000							
Mizuho Trust & Banking Co., Ltd.	100,000	100,000							
Resona Bank, Limited	-	978,500							
Aozora Bank, Ltd.	-	820,000							
Mizuho Bank, Ltd.	-	420,000							
The Musashino Bank, Ltd.	-	430,000							
The Chiba Bank, Ltd.	-	425,000							
Sumitomo Mitsui Banking Corporation	-	280,000							
Sumitomo Mitsui Trust Bank, Limited	-	129,000							
Mizuho Trust & Banking Co., Ltd.	-	50,000							
Subtotal		49,346,000	47,846,000						
Total		49,346,000	47,846,000						

(Note 1) The average interest rate is a weighted-average figure during the fiscal period and is rounded to the fifth decimal place.

(Note 2) SPI conducted interest rate swap transactions for these loans in order to hedge against interest rate fluctuation risks, and the stated interest rate is the post-fixation figure.

(Note 3) The current portion of long-term loans payable (9,061,000 thousand yen) on the balance sheets are included in long-term loans payable.

(3) Status of investment corporation bonds

The status of investment corporation bonds as of October 31, 2023, is as follows.

Issue	Issue date	Balance at beginning of 36th FP (thousand yen)	Balance at end of 36th FP (thousand yen)	Interest rate	Redemption date	Redemption method	Use of funds	Remarks
First Series Unsecured Investment Corporation Bond (with pari passu conditions among specified investment corporation bonds)	Nov. 18, 2019	1,000,000	1,000,000	0.470% per annum	Nov. 18, 2024	Lump-sum upon maturity	Partial repayment of borrowings	Unsecured and unguaranteed
Second Series Unsecured Investment Corporation Bond (with pari passu conditions among specified investment corporation bonds)	Nov. 19, 2020	1,000,000	1,000,000	0.540% per annum	Nov. 19, 2025	Lump-sum upon maturity	Partial repayment of borrowings	Unsecured and unguaranteed
Third Series Unsecured Investment Corporation Bond (with pari passu conditions among specified investment corporation bonds) (Green Bonds)	Nov. 18, 2021	1,500,000	1,500,000	0.800% per annum	Nov. 18, 2031	Lump-sum upon maturity	Partial repayment of borrowings	Unsecured and unguaranteed
Fourth Series Unsecured Investment Corporation Bond (with pari passu conditions among specified investment corporation bonds) (Green Bonds)	May 22, 2023	-	1,500,000	0.800% per annum	May 22, 2028	Lump-sum upon maturity	Partial repayment of borrowings	Unsecured and unguaranteed
Total		3,500,000	5,000,000					

(4) Status of short-term investment bonds

Not applicable.

(5) Status of investment unit acquisition rights

Not applicable.

6. Status of Sale and Purchase during Period

(1) Status, etc. of sale and purchase of real estate, etc. and asset-backed securities, etc. and infrastructure assets, etc. and infrastructure-related assets

Property number	Property name	Acquisition		Disposition			
		Acquisition date	Acquisition price (thousand yen) (Note 1)	Disposition date	Disposition price (thousand yen)	Book value (thousand yen)	Gain or loss on sale (thousand yen)
G-38	Proceed Nishioji (Note 2)	September 29, 2023	745,454	-	-	-	-
Total		-	745,454	-	-	-	-

(Note 1) "Acquisition price" indicates the amount (transaction price stated in the sales agreement, etc.) excluding various expenses (transaction brokerage fees, taxes and public dues, etc.) required for acquisition of the relevant real estate.

(Note 2) For Proceed Nishioji, the acquisition of the real estate in kind was followed by conclusion of a trust agreement on the same date as the acquisition date, making it a trust beneficiary interest.

(2) Status, etc. of sales and purchase of other assets

Other assets excluding the above are mostly bank deposits or bank deposits within trust property.

(3) Investigation into value, etc. of specified assets

i) Real estate, etc.

For transactions which require appraisals of real estate, etc., concerning specified assets based on Paragraph 1, Article 201 of the Investment Trusts Act, such are implemented by Sanyu Appraisal Corporation based on the Real Estate Appraisal Standards, and SPI has received notices on the results of the concerned appraisals from the relevant parties.

Acquisition or disposition	Property number	Property name	Transaction date	Type of asset	Acquisition price or disposition price (thousand yen)	Appraisal value (thousand yen)	Appraisal date	Appraiser
Acquisition	G-38	Proceed Nishioji	September 29, 2023	Real estate	745,454	817,000	May 12, 2023	Sanyu Appraisal Corporation

ii) Others

Of the transactions carried out by SPI that were deemed to require a research on prices, etc. pursuant to the provisions of Article 201 of the Investment Trusts Act, except for those shown in the aforementioned i) Real estate, etc., the research was entrusted to Nihombashi Corporation.

There was a single interest rate swap transaction that was subject to the research during the research period from May 1, 2023, to October 31, 2023. SPI has received a research report regarding the transaction from Nihombashi Corporation.

With regard to the said interest rate swap transaction, SPI entrusted research on the name of the transaction counterpart, currency type, agreed-upon interest rate, transaction period and other details of the relevant transaction.

(4) Status of interested party transactions, etc.

i) Status of sale and purchase transaction with interested parties, etc.

Not applicable.

ii) Amount of commission fee, etc.

Category	Total paid fee (A) (thousand yen)	Breakdown of transactions with interested parties, etc.		B/A (%)
		Paid party	Paid amount (B) (thousand yen)	
Property management fee	97,394	Starts Amenity Corporation	95,398	98.0
Repair expenses	359,896	Starts Amenity Corporation	302,344	84.0
Maintenance and inspection fee	140,984	Starts Amenity Corporation	138,891	98.5
Advertising expenses	61,252	Starts Amenity Corporation	60,509	98.8
Renewal fee	25,636	Starts Amenity Corporation	24,896	97.1

(Note) “Interested parties, etc.” refer to the interested parties, etc., as defined in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, of the asset management company that has entered into an asset management agreement with SPI, and other interested parties, etc. as defined in Article 26, Paragraph 1, Item 27 of the Regulations Concerning Investment Reports of Investment Trusts and Investment Corporations issued by The Investment Trusts Association, Japan.

(5) Status, etc. of transaction with the asset management company pertaining to operations of concurrent business engaged in by the asset management company

The asset management company (Starts Asset Management Co., Ltd.) does not concurrently conduct any of the type I financial instruments business, type II financial instruments business, land and building transaction business, or real estate syndication business, and has no such transactions with SPI.

7. Initiatives on Sustainability

Acquisition of environmental certifications (CASBEE Certification for Real Estate and BELS Certification)

Proceed Nishiarai (Artier)

Acquired the highest evaluation rank "S Rank" under CASBEE Certification for Real Estate



Proceed Monzenakacho



Proceed Maihama



Proceed Sendai Kamisugi



Participation in GRESB Real Estate Assessment

Started participating from fiscal 2022
Acquired (★)



Promote the installation of rooftop solar panels

Proceed Ishikawadai

Electricity generated by solar panels 10,507.0 kWh
(From May 10, 2022 to April 30, 2023)



Environmental consideration to printed matter, etc.

Adopting environmentally friendly materials such as FSC certified papers for asset management reports, envelops, etc.



Social



The Asset Management Company is also making efforts to develop PPP and PFI, etc. It revitalizes regions by effectively utilizing public land, etc., and is engaged in area management using the comprehensive strengths of Starts Group even after the development of facilities such as libraries, schools and childcare support facilities. In addition, it is also proactively making efforts for safety and security.

Alpha Grande Chizakura Tower <Acquired in 34th FP>

- Mixed-use development utilizing the land owned by Chiyoda Ward and private land in the surrounding area
- Seismic isolation structure
- Anti-disaster rental apartment (installed with well, bench with oven function, marhote toilets, etc.)



Proceed Nagareyama Otakanomori <Acquired in 31st FP>

- Mixed-use facility designed and constructed by Starts Group in the PPP project
- Directly connected to the station by a pedestrian deck
- Public hall of Nagareyama City, city hall service counter
- The first floor of the rental building (seismic isolation structure) is occupied by a private authorized nursery school



Proceed TX Nagareyama Central Park <Acquired in 19th FP>

- City-owned land effective utilization project in Nagareyama City
- Developed a kindergarten, elementary school and rental housing in cooperation with Gyosei International School



Proceed Shinozaki Tower/Shinozaki Twin Place <Acquired in 18th FP> <Acquired in 35th FP>

- Mixed-use facility developed by Starts Group as a development project implemented by Edogawa Ward Office
- Facilities for ward residents (library, lifelong learning facility, gallery, cafe)
- Private facilities (retail facility, housing)

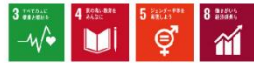


Proceed Nishiarai <Acquired in 5th FP>

- Large-scale rental housing developed by Starts Group
- Seismic isolation structure
- Adopts all-electric system
- Anti-disaster rental apartment
- Nursery school operated by Starts Group



Social



- Seismic isolation structure (as of October 31, 2023)
Number of orders received by Starts CAM : 608
Number of buildings incorporated into the AUM of SPI : 10
- Installation of well, bench with oven function, disaster prevention goods for exclusive floor area
➡ Disaster prevention measures
- Implementation of disaster prevention events using earthquake simulation vehicles owned by Starts Group
- Installation of public art
Installed public art at many places including PPP and PFI projects
Contribution to the training of artists
- Investment in healthcare facilities/nursery facilities
➡ Nishirai Kirakira Hoikuen, etc.
- Recommendation and provision of expenses for the acquisition of qualifications by employees
- Promotion of health checkup of employees, success of female employees, work-life balance, special holiday
- Recommendation of remote work and staggered commuting by employees



Well



Bench with oven function



Earthquake simulation vehicles/disaster prevention events



Disaster prevention goods for exclusive floor area (some properties)



Nishirai Kirakira Hoikuen



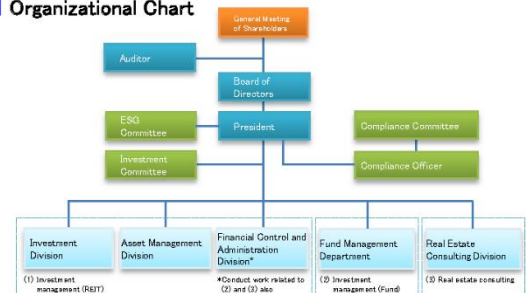
Life Support Residence Funaboriekimae

Governance



- Prevention of conflicts of interest, risk management, information disclosure, compliance with laws and regulations
- Development of decision-making flow on transactions
- Compliance Committee, investment Committee, implementation of periodic internal audit
- Establishment of ESG Committee (Chief Officer is the Representative Director of the Asset Management Company)
- Same-boat investment (Starts Corporation Inc.)

Organizational Chart



Environmental Performance Targets

Item	Reduction target
Energy consumption	Reduce energy consumption intensity by 5% by fiscal 2026 (1% on average per year) based on the amount in fiscal 2021
GHG (CO ₂) emissions	Reduce energy consumption intensity by 5% by fiscal 2026 (1% on average per year) based on the amount in fiscal 2021
Water consumption	Do not increase the amount in terms of water consumption intensity based on the amount in fiscal 2021

Environmental Performance Results

Item		Fiscal 2021	Fiscal 2022	Rate of Change
Energy consumption	Total amount (MWh)	2,281	2,148	- 5.8%
	Consumption intensity (MWh/m ²)	0.051	0.047	- 7.8%
GHG (CO ₂) emissions	Total amount (t-CO ₂)	979	222	- 77.3%
	Consumption intensity (t-CO ₂ /m ²)	0.022	0.005	- 77.3%
Water consumption	Total amount (m ³)	961	824	- 14.3%
	Consumption intensity (m ³ /m ²)	0.027	0.022	- 18.5%

* The aggregation period is from May to April of the following year.
 * For energy consumption, GHG (CO₂) emissions and water consumption, the actual figures only for the common areas of properties operated throughout the year and having management authorities (excluding properties under sectional ownership) are aggregated.
 * GHG (CO₂) emissions are calculated by the Asset Management Company based on the adjusted emission factors, etc. by electric utility announced by the Ministry of the Environment.

Reduction of CO₂ emissions from electricity at common areas to zero

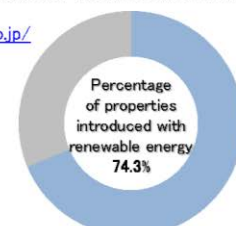
For **80 properties (74.3 % of the total floor area)** of the **108** properties we own, we have changed the electric power contracts for common areas to the power plan using 100% renewable energy provided by Mitsuuroko Green Energy Co., Ltd.

Through this initiative, we will realize virtually zero CO₂ emissions from used electricity (common areas) at the introduced properties.

This initiative contributes to the "reduction of greenhouse gas emission and energy consumption" among the materiality identified by SPI.

* Please refer to the following website for the ESG policy and materiality of SPI.

<https://www.sp-inv.co.jp/>



8. Accounting

(1) Status, etc. of assets, liabilities, principal and income and loss

For the status of assets, liabilities, principal and profit/loss, please refer to “Balance Sheets,” “Statements of Income,” “Statements of Changes in Unitholders’ Equity,” “Statements of Cash Flows,” “Notes to Financial Statements” and “Statements of Cash Distributions” on later pages of this report. Information regarding the previous (35th) fiscal period on the “Balance Sheets,” “Statements of Income,” “Statements of Changes in Unitholders’ Equity,” “Statements of Cash Flows,” “Notes to Financial Statements” and “Statements of Cash Distributions” is for reference purposes only, and is not subject to audit procedures by the Independent Auditor in the current (36th) fiscal period pursuant to the provisions of Article 130 of the Act on Investment Trusts and Investment Corporations.

(2) Change in method of calculation of depreciation and amortization

Not applicable.

(3) Change in method of valuation of real estate, etc. and infrastructure assets, etc.

Not applicable.

9. Others

(1) Notice

Not applicable.

(2) Status of Self-Managed Investment Trust Beneficiary Certificates

Not applicable.

(3) Disclosure pertaining to corporation holding overseas real estate

Not applicable.

(4) Disclosure pertaining to real estate of corporation holding overseas real estate

Not applicable.

(5) Others

Figures in this document are rounded down (values) and rounded to the nearest decimal place (percentages) unless otherwise indicated.

Starts Proceed Investment Corporation

Balance Sheets

[Unit: thousand yen]

	35th Fiscal Period (Reference) (as of April 30, 2023)	36th Fiscal Period (as of October 31, 2023)
Assets		
Current assets		
Cash and deposits	1,997,761	1,307,187
Cash and deposits in trust	2,241,549	2,364,605
Operating accounts receivable	43,892	28,112
Prepaid expenses	85,241	81,785
Consumption taxes receivable	57,503	-
Others	8,959	8,295
Total current assets	4,434,907	3,789,985
Non-current assets		
Property, plant and equipment		
Buildings in trust	52,585,883	53,144,986
Accumulated depreciation	(11,668,684)	(12,257,229)
Buildings in trust, net	40,917,198	40,887,756
Structures in trust	1,279,506	1,281,242
Accumulated depreciation	(891,639)	(910,773)
Structures in trust, net	387,867	370,468
Machinery and equipment in trust	5,376	5,376
Accumulated depreciation	(5,107)	(5,107)
Machinery and equipment in trust, net	268	268
Tools, furniture and fixtures in trust	794,115	851,440
Accumulated depreciation	(369,788)	(415,933)
Tools, furniture and fixtures in trust, net	424,327	435,507
Land in trust	55,563,624	55,981,772
Total property, plant and equipment	97,293,287	97,675,773
Intangible assets		
Leasehold in trust	1,042,267	1,033,873
Software	322	280
Total intangible assets	1,042,590	1,034,154
Investment and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	710,820	710,820
Long-term prepaid expenses	153,966	149,522
Deferred tax assets	682	610
Others	27,593	34,430
Total investments and other assets	903,061	905,383
Total non-current assets	99,238,939	99,615,311
Deferred assets		
Investment corporation bond issuance costs	19,342	27,794
Investment unit issuance costs	10,358	8,286
Total deferred assets	29,700	36,081
Total assets	103,703,546	103,441,378

Starts Proceed Investment Corporation

Balance Sheets

[Unit: thousand yen]

	35th Fiscal Period (Reference) (as of April 30, 2023)	36th Fiscal Period (as of October 31, 2023)
Liabilities		
Current liabilities		
Current portion of long-term loans payable	9,032,500	9,061,000
Operating accounts payable	124,919	232,635
Accounts payable – other	256,231	247,225
Accrued expenses	42,831	54,228
Income taxes payable	8,568	7,779
Accrued consumption taxes	16,040	18,673
Advances received	1,462	3,783
Others	255	78
Total current liabilities	9,482,809	9,625,404
Non-current liabilities		
Investment corporation bonds	3,500,000	5,000,000
Long-term loans payable	40,313,500	38,785,000
Tenant leasehold and security deposits in trust	870,171	873,856
Asset retirement obligations	300,411	302,809
Total non-current liabilities	44,984,082	44,961,666
Total liabilities	54,466,892	54,587,070
Net assets		
Unitholders' equity		
Unitholders' capital	48,082,645	48,082,645
Deduction from unitholders' capital	(Note 1) (545,913)	(545,913)
Unitholders' capital (net)	47,536,732	47,536,732
Surplus		
Voluntary reserves		
Reserve for reduction entry	99,000	99,000
Reserve for reduction entry under special provisions for property replacement	(Note 2) 185,848	-
Total voluntary reserves	284,848	99,000
Unappropriated retained earnings (undisposed loss)	1,415,073	1,218,575
Total surplus	1,699,922	1,317,575
Total unitholders' equity	49,236,654	48,854,307
Total net assets	(Note 3) 49,236,654	48,854,307
Total liabilities and net assets	103,703,546	103,441,378

Starts Proceed Investment Corporation

Statements of Income

[Unit: thousand yen]

		35th Fiscal Period (Reference) From: Nov. 1, 2022 To: Apr. 30, 2023	36th Fiscal Period From: May 1, 2023 To: Oct. 31, 2023
Operating revenue			
Rent revenue – real estate	(Note 1)	3,554,688	3,532,337
Gain on sales of real estate properties	(Note 2)	122,212	-
Total operating revenue		3,676,901	3,532,337
Operating expenses			
Expenses related to rent business	(Note 1)	1,554,855	1,546,187
Asset management fee		298,910	318,969
Asset custody fee		8,810	8,800
Administrative service fees		25,254	23,792
Directors' compensations		1,200	1,200
Other operating expenses		105,718	132,722
Total operating expenses		1,994,748	2,031,672
Operating income		1,682,152	1,500,664
Non-operating income			
Interest income		17	19
Insurance income		11,592	6,725
Reversal of distribution payable		969	1,070
Others		-	304
Total non-operating income		12,580	8,120
Non-operating expenses			
Interest expenses		208,084	214,660
Interest expenses on investment corporation bonds		10,868	16,590
Amortization of investment corporation bond issuance costs		2,809	3,402
Amortization of investment unit issuance costs		2,071	2,071
Borrowing related expenses		47,296	45,179
Others		576	576
Total non-operating expenses		271,706	282,480
Ordinary income		1,423,026	1,226,304
Income before income taxes		1,423,026	1,226,304
Income taxes – current		8,571	7,782
Income taxes – deferred		(600)	72
Total income taxes		7,970	7,854
Net income		1,415,055	1,218,449
Retained earnings brought forward		18	125
Unappropriated retained earnings (undisposed loss)		1,415,073	1,218,575

Starts Proceed Investment Corporation
Statements of Changes in Unitholders' Equity

35th Fiscal Period (Reference) (from November 1, 2022, to April 30, 2023)

[Unit: thousand yen]

	Unitholders' equity						
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital (net)	Voluntary reserves			Unappropriated retained earnings (undisposed loss)
				Reserve for reduction entry	Reserve for reduction entry under special provisions for property replacement	Total voluntary reserves	
Balance at beginning of period	42,230,457	(545,913)	41,684,544	99,000	400,000	499,000	1,301,169
Changes of items during the period							
Issuance of new investment units	5,852,188		5,852,188				
Provision of reserve for reduction entry				99,000	-	99,000	(99,000)
Reversal of reserve for reduction entry				(99,000)	(214,151)	(313,151)	313,151
Dividends from surplus							(1,515,302)
Net income							1,415,055
Total changes of items during the period	5,852,188	-	5,852,188	-	(214,151)	(214,151)	113,904
Balance at end of period	48,082,645	(545,913)	47,536,732	99,000	185,848	284,848	1,415,073

[Unit: thousand yen]

	Unitholders' equity		Total net assets
	Surplus	Total unitholders' equity	
	Total surplus		
Balance at beginning of period	1,800,169	43,484,713	43,484,713
Changes of items during the period			
Issuance of new investment units		5,852,188	5,852,188
Provision of reserve for reduction entry	-	-	-
Reversal of reserve for reduction entry	-	-	-
Dividends from surplus	(1,515,302)	(1,515,302)	(1,515,302)
Net income	1,415,055	1,415,055	1,415,055
Total changes of items during the period	(100,247)	5,751,941	5,751,941
Balance at end of period	1,699,922	49,236,654	49,236,654

36th Fiscal Period (from May 1, 2023, to October 31, 2023)

[Unit: thousand yen]

	Unitholders' equity						
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital (net)	Voluntary reserves			Unappropriated retained earnings (undisposed loss)
				Reserve for reduction entry	Reserve for reduction entry under special provisions for property replacement	Total voluntary reserves	
Balance at beginning of period	48,082,645	(545,913)	47,536,732	99,000	185,848	284,848	1,415,073
Changes of items during the period							
Reversal of reserve for reduction entry				-	(185,848)	(185,848)	185,848
Dividends from surplus							(1,600,797)
Net income							1,218,449
Total changes of items during the period	-	-	-	-	(185,848)	(185,848)	(196,498)
Balance at end of period	48,082,645	(545,913)	47,536,732	99,000	-	99,000	1,218,575

[Unit: thousand yen]

	Unitholders' equity		Total net assets
	Surplus	Total unitholders' equity	
	Total surplus		
Balance at beginning of period	1,699,922	49,236,654	49,236,654
Changes of items during the period			
Reversal of reserve for reduction entry	-	-	-
Dividends from surplus	(1,600,797)	(1,600,797)	(1,600,797)
Net income	1,218,449	1,218,449	1,218,449
Total changes of items during the period	(382,347)	(382,347)	(382,347)
Balance at end of period	1,317,575	48,854,307	48,854,307

Starts Proceed Investment Corporation

Statements of Cash Flows

[Unit: thousand yen]

	35th Fiscal Period (Reference) From: Nov. 1, 2022 To: Apr. 30, 2023	36th Fiscal Period From: May 1, 2023 To: Oct. 31, 2023
Net cash provided by (used in) operating activities		
Income before income taxes	1,423,026	1,226,304
Depreciation and amortization	689,295	662,260
Amortization of investment corporation bond issuance costs	2,809	3,402
Amortization of investment unit issuance costs	2,071	2,071
Interest income	(17)	(19)
Interest expenses	218,952	231,251
Decrease (increase) in operating accounts receivable	(17,433)	15,780
Decrease (increase) in prepaid expenses	(2,368)	3,455
Decrease (increase) in consumption taxes receivable	(57,503)	57,503
Increase (decrease) in accrued consumption taxes	(66,229)	2,633
Increase (decrease) in operating accounts payable	(40,889)	134,833
Increase (decrease) in accounts payable – other	6,135	10,353
Decrease (increase) in long-term prepaid expenses	(53,573)	4,443
Decrease from sales of property, plant and equipment in trust	998,225	-
Others, net	(5,032)	4,135
Subtotal	3,097,467	2,358,410
Interest income received	17	19
Interest expenses paid	(201,181)	(219,854)
Income taxes paid	(1,979)	(8,571)
Net cash provided by (used in) operating activities	2,894,325	2,130,003
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(13,500,157)	(1,082,750)
Purchase of intangible assets	(179,191)	-
Proceeds from tenant leasehold and security deposits in trust	273,575	54,642
Repayments of tenant leasehold and security deposits in trust	(81,977)	(50,957)
Decrease (increase) in other investments	(109,386)	(6,837)
Net cash provided by (used in) investing activities	(13,597,137)	(1,085,903)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	11,390,000	3,532,500
Repayments of long-term loans payable	(4,190,000)	(5,032,500)
Proceeds from issuance of investment corporation bonds	-	1,500,000
Payments of investment corporation bond issuance costs	-	(11,855)
Proceeds from investment unit issuance	5,852,188	-
Payments of investment unit issuance costs	(12,430)	-
Dividends paid	(1,513,075)	(1,599,763)
Net cash provided by (used in) financing activities	11,526,681	(1,611,618)
Net increase (decrease) in cash and cash equivalents	823,870	(567,518)
Cash and cash equivalents at beginning of period	3,415,440	4,239,310
Cash and cash equivalents at end of period	(Note) 4,239,310	3,671,792

Starts Proceed Investment Corporation

Notes to Financial Statements

1. Basis of presenting financial statements

SPI maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (Japanese GAAP), including provisions set forth in the “Financial Instruments and Exchange Act” of Japan, the “Act on Investment Trusts and Investment Corporations” (the Investment Trusts Act), the “Companies Act” and the related regulations, which are different in certain respects as to the adoption and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are basically a translation of the audited financial statements of SPI, which were prepared in accordance with Japanese GAAP and filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to financial statements include information which might not be required under Japanese GAAP but is presented herein as additional information.

SPI’s accounting periods end at the end of April and October.

2. Summary of significant accounting policies

Fiscal period Item	35th Fiscal Period (Reference) (from November 1, 2022, to April 30, 2023)	36th Fiscal Period (from May 1, 2023, to October 31, 2023)								
1. Depreciation and amortization method for non-current assets	<p>(1) Property, plant and equipment Depreciation is calculated using the straight-line method. The useful lives of major categories of property, plant and equipment are as follows:</p> <table style="margin-left: 20px;"> <tr> <td>Buildings in trust</td> <td style="text-align: right;">3–64 years</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">10–45 years</td> </tr> <tr> <td>Machinery and equipment in trust</td> <td style="text-align: right;">8 years</td> </tr> <tr> <td>Tools, furniture and fixtures in trust</td> <td style="text-align: right;">3–15 years</td> </tr> </table> <p>(2) Intangible assets Intangible assets are amortized using the straight-line method. Leasehold in trust is amortized using the straight-line method based on the contract period of fixed-term land lease agreements.</p> <p>(3) Long-term prepaid expenses Long-term prepaid expenses are amortized using the straight-line method.</p>	Buildings in trust	3–64 years	Structures in trust	10–45 years	Machinery and equipment in trust	8 years	Tools, furniture and fixtures in trust	3–15 years	<p>(1) Property, plant and equipment Same as on the left</p> <p>(2) Intangible assets Same as on the left</p> <p>(3) Long-term prepaid expenses Same as on the left</p>
Buildings in trust	3–64 years									
Structures in trust	10–45 years									
Machinery and equipment in trust	8 years									
Tools, furniture and fixtures in trust	3–15 years									
2. Accounting for deferred assets	<p>(1) Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized using the straight-line method over the period through redemption.</p> <p>(2) Investment unit issuance costs Investment unit issuance costs are amortized in equal amounts over three years.</p>	<p>(1) Investment corporation bond issuance costs Same as on the left</p> <p>(2) Investment unit issuance costs Same as on the left</p>								

<p>3. Standards for recognition of revenue and expenses</p>	<p>(1) Accounting treatment of property taxes, etc. In connection with property taxes, city planning taxes and depreciable asset taxes, SPI as a rule uses the method of charging the corresponding amounts of assessed taxes to the current fiscal period as expenses related to rent business. In the case of property taxes, city planning taxes and depreciable asset taxes on owned properties that have a different number of installment tax payments every period, however, the amount of the number of annual tax payments corresponding to the business period is accounted for as expenses related to rent business. The amount equivalent to property taxes, etc. for the initial fiscal year to be borne by SPI upon acquisition of real estate or trust beneficiary interests in real estate as trust property are not expensed but capitalized as part of the acquisition cost of the relevant property.</p> <p>(2) Standards for revenue recognition The details of main performance obligations concerning revenue generated from contracts between SPI and its customers and the ordinary time to fulfil said performance obligations (ordinary time to recognize revenue) are as follows.</p> <p>a. Sale of real estate properties SPI recognizes revenue from sale of real estate properties when the purchaser who is a customer obtains control of the relevant real estate properties as a result of the seller fulfilling its delivery obligations stipulated in the transaction agreement of the real estate properties.</p> <p>b. Utilities income SPI recognizes utilities income in accordance with the supply of electricity and water, etc. to the lessee who is a customer based on the lease agreement of real estate, etc. and details of agreements incidental to it. Of the utilities income, in the case that SPI deems itself to be an agent, the net amount obtained by deducting the amount it pays to other parties from the amount it receives as charges for electricity and gas, etc. supplied by the said other parties is recognized as revenue.</p>	<p>(1) Accounting treatment of property taxes, etc. Same as on the left</p> <p>(2) Standards for revenue recognition Same as on the left</p>
<p>4. Method of hedge accounting</p>	<p>(1) Method of hedge accounting Special accounting is applied for interest rate swap transactions as they satisfy the requirements for special accounting.</p> <p>(2) Hedging instruments and hedged items Hedging instrument: interest rate swap transactions Hedged items: interest of borrowings</p> <p>(3) Hedging policy Based on its financial policy, SPI conducts derivative transactions to hedge risks, as stipulated in its Articles of Incorporation.</p> <p>(4) Method for assessing the effectiveness of hedging Assessment of the effectiveness of hedging is omitted as requirements for special accounting are satisfied for interest rate swap transactions.</p>	<p>(1) Method of hedge accounting Same as on the left</p> <p>(2) Hedging instruments and hedged items Same as on the left</p> <p>(3) Hedging policy Same as on the left</p> <p>(4) Method for assessing the effectiveness of hedging Same as on the left</p>

<p>5. Scope of funds in the Statements of Cash Flows</p>	<p>The funds (cash and cash equivalents) in the Statements of Cash Flows consist of cash on hand and cash in trust, deposits and deposits in trust that can be withdrawn at any time, and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of value fluctuation.</p>	<p>Same as on the left</p>
<p>6. Other significant items fundamental to preparing the financial statements</p>	<p>(1) Accounting method for trust beneficiary interests in real estate as trust property Regarding trust beneficiary interests in owned real estate as trust property, all asset and liability accounts of the trust properties as well as all revenue and expense accounts generated by the trust properties are recorded in relevant accounts on the Balance Sheets and Statements of Income. Furthermore, among trust properties recorded in relevant accounts, the following material accounts are separately stated on the Balance Sheets.</p> <ul style="list-style-type: none"> a. Cash and deposits in trust b. Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, land in trust c. Leasehold in trust d. Lease and guarantee deposits in trust e. Tenant leasehold and security deposits in trust <p>(2) Accounting for consumption taxes For non-current assets and deferred assets, the consumption taxes are included.</p>	<p>(1) Accounting method for trust beneficiary interests in real estate as trust property Same as on the left</p> <p>(2) Accounting for consumption taxes Same as on the left</p>

3. Notes to Balance Sheets

35th Fiscal Period (Reference) (as of April 30, 2023)	36th Fiscal Period (as of October 31, 2023)
(Note 1) Cancellation of treasury investment units Total number of cancelled units 3,000 units Total amount of cancellation 545,913 thousand yen	(Note 1) Cancellation of treasury investment units Total number of cancelled units 3,000 units Total amount of cancellation 545,913 thousand yen
(Note 2) Breakdown of reserve for reduction entry under special provisions for property replacement defined in Article 2, Paragraph 2, Item 28 of the Regulations on Accounting of Investment Corporations is as follows.	(Note 2) Breakdown of reserve for reduction entry under special provisions for property replacement defined in Article 2, Paragraph 2, Item 28 of the Regulations on Accounting of Investment Corporations is as follows.
Item	Breakdown
Relevant properties	Land of Proceed Kashiwa Trois
Reason for recognition and amount	Gain on sales of real estate properties amounting to 549,257 thousand yen due to sale of Proceed Kitahorie in March 2020
Policy for reversal	Reversal into retained earnings is made in accordance with tax regulations.
Description of reversal in the period	Reversal was made in accordance with the sale of Proceed Kashiwa Trois in April 2023.
<u>Amount (thousand yen)</u>	
Balance before provision or reversal in the period	185,848
Reversal in the Statements of Income	-
Balance on the Balance Sheets	185,848
Provision in the Statements of Cash Distributions	-
Reversal in the Statements of Cash Distributions	185,848
Balance after provision or reversal in the period	-
(Note 3) Minimum net assets designated in Article 67-4 of the Act on Investment Trusts and Investment Corporations 50,000 thousand yen	(Note 3) Minimum net assets designated in Article 67-4 of the Act on Investment Trusts and Investment Corporations 50,000 thousand yen

4. Notes to Statements of Income

35th Fiscal Period (Reference) (from November 1, 2022, to April 30, 2023)	36th Fiscal Period (from May 1, 2023, to October 31, 2023)
(Note 1) Breakdown of revenues and expenses related to real estate rent business (thousand yen)	(Note 1) Breakdown of revenues and expenses related to real estate rent business (thousand yen)
A. Real estate rent revenue	A. Real estate rent revenue
Rent revenue – real estate	Rent revenue – real estate
Rent	Rent
Common area maintenance charges	Common area maintenance charges
Parking revenue	Parking revenue
Incidental revenue	Incidental revenue
Rent revenue – other	Rent revenue – other
Total real estate rent revenue	Total real estate rent revenue
B. Expenses related to real estate rent business	B. Expenses related to real estate rent business
Expenses related to rent business	Expenses related to rent business
Management expenses	Management expenses
Repair expenses	Repair expenses
Taxes and public dues	Taxes and public dues
Trust fee	Trust fee
Utilities expenses	Utilities expenses
Casualty insurance	Casualty insurance
Depreciation and amortization	Depreciation and amortization
Other expenses related to rent business	Other expenses related to rent business
Total expenses related to real estate rent business	Total expenses related to real estate rent business
C. Profit from real estate rent business (A-B)	C. Profit from real estate rent business (A-B)
(Note 2) Breakdown of gain or loss on sales of real estate properties (thousand yen)	(Note 2) Breakdown of gain or loss on sales of real estate properties
Proceed Koenjiminami	
Proceeds from sales of real estate properties	
Cost of sales of real estate properties	
Other sales expenses	
Loss on sales of real estate properties	
Proceed Hakuraku	
Proceeds from sales of real estate properties	
Cost of sales of real estate properties	
Other sales expenses	
Loss on sales of real estate properties	
Proceed Kashiwa Trois	
Proceeds from sales of real estate properties	
Cost of sales of real estate properties	
Other sales expenses	
Gain on sales of real estate properties	

5. Notes to Statements of Changes in Unitholders' Equity

35th Fiscal Period (Reference) (from November 1, 2022, to April 30, 2023)	36th Fiscal Period (from May 1, 2023, to October 31, 2023)
Total number of authorized investment units and total number of investment units issued and outstanding	Total number of authorized investment units and total number of investment units issued and outstanding
Total number of authorized investment units	Total number of authorized investment units
Total number of investment units issued and outstanding	Total number of investment units issued and outstanding

6. Notes to Statements of Cash Flows

35th Fiscal Period (Reference) (from November 1, 2022, to April 30, 2023)	36th Fiscal Period (from May 1, 2023, to October 31, 2023)
(Note) Relationship between the balance of cash and cash equivalents at the end of period and the amounts of the corresponding accounts on the Balance Sheets (thousand yen) (As of April 30, 2023)	(Note) Relationship between the balance of cash and cash equivalents at the end of period and the amounts of the corresponding accounts on the Balance Sheets (thousand yen) (As of October 31, 2023)
Cash and deposits	Cash and deposits
1,997,761	1,307,187
Cash and deposits in trust	Cash and deposits in trust
2,241,549	2,364,605
Cash and cash equivalents	Cash and cash equivalents
4,239,310	3,671,792

7. Notes to lease transactions

35th Fiscal Period (Reference) (as of April 30, 2023)	36th Fiscal Period (as of October 31, 2023)
Operating lease transaction (As Lessee) (thousand yen)	Operating lease transaction (As Lessee) (thousand yen)
Future minimum lease payments	Future minimum lease payments
Due within 1 year	Due within 1 year
121,731	122,559
Due after 1 year	Due after 1 year
4,959,434	4,923,408
Total	Total
5,081,166	5,045,968

(Note) The above-mentioned future minimum lease payments are rents based on ordinary fixed-term land lease establishment agreements.

8. Notes to financial instruments

35th fiscal period (Reference) (from November 1, 2022, to April 30, 2023)

1. Matters concerning status of financial instruments

(1) Policy on handling financial instruments

SPI principally makes it a policy to utilize only deposits for surplus fund management, although it sometimes utilizes securities and monetary claims, etc. as investment targets. Fund procurement shall be made primarily through borrowings from financial institutions, issuance of investment corporation bonds and issuance of investment units, etc. SPI conducts derivative transactions only for the purpose of hedging risks, such as interest rate fluctuation risk for borrowings, etc., and not for speculation purpose.

(2) Description of financial instruments and associated risks, and risk management structure

Borrowings and investment corporation bonds are exposed to liquidity risks upon repayment and redemption dates, but SPI works to mitigate these risks by such measures as the administration department of the Asset Management Company preparing cash flow plans and their results on a monthly basis.

Currently, all borrowings are procured with floating interest rates and thus are exposed to interest rate fluctuation risks. However, for part of the borrowings, SPI conducts derivative transactions (interest rate swap transactions) in order to hedge the risk of fluctuations in the rates of interest payable and fix interest expenses. Furthermore, assessment of the effectiveness of these interest rate swaps as a hedge is omitted as it has been determined that they have met the requirements for special accounting.

Deposits are exposed to the risks of failure of the financial institutions holding the deposits as well as other credit risks. SPI mitigates the risks by limiting its deposits to those with short durations.

(3) Supplementary explanation on matters concerning fair value of financial instruments

Certain assumptions are made in calculating the fair value of financial instruments, and there may be cases where the values will vary when different assumptions are used.

2. Matters concerning fair value of financial instruments

The following table includes the book values for financial instruments as recorded on the Balance Sheets, the corresponding fair values and the difference between these amounts as of April 30, 2023. Furthermore, notes on “Cash and deposits” and “Cash and deposits in trust” are omitted as these are settled with cash and within a short period of time and thus the fair value approximates the book value. Notes on “Tenant leasehold and security deposits in trust” are also omitted as they lack materiality.

(thousand yen)

	Book value recorded on the Balance Sheets	Fair value (Note 1)	Difference
(1) Current portion of long-term loans payable (Note 2)	9,032,500	9,032,500	-
(2) Investment corporation bonds (Note 2)	3,500,000	3,491,192	(8,807)
(3) Long-term loans payable (Note 2)	40,313,500	40,475,664	162,164
(4) Derivative transactions	-	-	-

(Note 1) Calculation method for fair value of financial instruments and matters regarding derivative transactions

(1) Current portion of long-term loans payable and (3) Long-term loans payable

As both of these loans are with floating interest rates and the contract terms require the interest rates to be revised in a certain period of time, the fair value is approximately the same as the book value and is thus stated as that book value. However, the fair value of long-term loans with floating interest rate subject to special accounting for interest rate swaps (refer to (4) Derivative transactions below) is calculated by discounting the total amount of principal and interest (accounted for together with the interest rate swaps) with the reasonably estimated interest rate applicable when similar loans are borrowed.

(2) Investment corporation bonds

The fair value is calculated by discounting the total amount of principal and interest by the reasonably estimated interest rate applicable when similar loans are borrowed.

(4) Derivative transactions

(i) Derivatives to which hedge accounting is not applied

Not applicable.

(ii) Derivatives to which hedge accounting is applied

The following is the contract amount or amount equivalent to the principal provided in the contract as of the closing of accounts for each method of hedge accounting.

(thousand yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; Payable fixed	Long-term loans payable	28,062,500	28,062,500	(Note)	-

(Note) Transactions for which special accounting for interest rate swaps is applied are combined with long-term loans payable for accounting purposes. Accordingly, their fair value is included in the fair value of the relevant long-term loans payable.

(Note 2) Amount of repayment or redemption of loans and investment corporation bonds scheduled to be due after closing date of 35th fiscal period

(thousand yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Current portion of long-term loans payable	9,032,500	-	-	-	-	-
Investment corporation bonds	-	1,000,000	1,000,000	-	-	1,500,000
Long-term loans payable	-	8,761,000	4,549,000	10,020,000	5,720,000	11,263,500

36th fiscal period (from May 1, 2023, to October 31, 2023)

1. Matters concerning status of financial instruments

(1) Policy on handling financial instruments

SPI principally makes it a policy to utilize only deposits for surplus fund management, although it sometimes utilizes securities and monetary claims, etc. as investment targets. Fund procurement shall be made primarily through borrowings from financial institutions, issuance of investment corporation bonds and issuance of investment units, etc. SPI conducts derivative transactions only for the purpose of hedging risks, such as interest rate fluctuation risk for borrowings, etc., and not for speculation purpose.

(2) Description of financial instruments and associated risks, and risk management structure

Borrowings and investment corporation bonds are exposed to liquidity risks upon repayment and redemption dates, but SPI works to mitigate these risks by such measures as the administration department of the Asset Management Company preparing cash flow plans and their results on a monthly basis.

Currently, all borrowings are procured with floating interest rates and thus are exposed to interest rate fluctuation risks. However, for part of the borrowings, SPI conducts derivative transactions (interest rate swap transactions) in order to hedge the risk of fluctuations in the rates of interest payable and fix interest expenses. Furthermore, assessment of the effectiveness of these interest rate swaps as a hedge is omitted as it has been determined that they have met the requirements for special accounting.

Deposits are exposed to the risks of failure of the financial institutions holding the deposits as well as other credit risks. SPI mitigates the risks by limiting its deposits to those with short durations.

(3) Supplementary explanation on matters concerning fair value of financial instruments

Certain assumptions are made in calculating the fair value of financial instruments, and there may be cases where the values will vary when different assumptions are used.

2. Matters concerning fair value of financial instruments

The following table includes the book values for financial instruments as recorded on the Balance Sheets, the corresponding fair values and the difference between these amounts as of October 31, 2023. Furthermore, notes on “Cash and deposits” and “Cash and deposits in trust” are omitted as these are settled with cash and within a short period of time and thus the fair value approximates the book value. Notes on “Tenant leasehold and security deposits in trust” are also omitted as they lack materiality.

(thousand yen)

	Book value recorded on the Balance Sheets	Fair value (Note 1)	Difference
(1) Current portion of long-term loans payable (Note 2)	9,061,000	9,061,000	-
(2) Investment corporation bonds (Note 2)	5,000,000	4,986,359	(13,640)
(3) Long-term loans payable (Note 2)	38,785,000	39,040,003	255,003
(4) Derivative transactions	-	-	-

(Note 1) Calculation method for fair value of financial instruments and matters regarding derivative transactions

(1) Current portion of long-term loans payable and (3) Long-term loans payable

As both of these loans are with floating interest rates and the contract terms require the interest rates to be revised in a certain period of time, the fair value is approximately the same as the book value and is thus stated as that book value. However, the fair value of long-term loans with floating interest rate subject to special accounting for interest rate swaps (refer to (4) Derivative transactions below) is calculated by discounting the total amount of principal and interest (accounted for together with the interest rate swaps) with the reasonably estimated interest rate applicable when similar loans are borrowed.

(2) Investment corporation bonds

The fair value is calculated by discounting the total amount of principal and interest by the reasonably estimated interest rate applicable when similar loans are borrowed.

(4) Derivative transactions

(i) Derivatives to which hedge accounting is not applied

Not applicable.

(ii) Derivatives to which hedge accounting is applied

The following is the contract amount or amount equivalent to the principal provided in the contract as of the closing of accounts for each method of hedge accounting.

(thousand yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; Payable fixed	Long-term loans payable	31,595,000	31,595,000	(Note)	-

(Note) Transactions for which special accounting for interest rate swaps is applied are combined with long-term loans payable for accounting purposes. Accordingly, their fair value is included in the fair value of the relevant long-term loans payable.

(Note 2) Amount of repayment or redemption of loans and investment corporation bonds scheduled to be due after closing date of 36th fiscal period

(thousand yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Current portion of long-term loans payable	9,061,000	-	-	-	-	-
Investment corporation bonds	-	1,000,000	1,000,000	-	1,500,000	1,500,000
Long-term loans payable	-	6,749,000	5,820,000	8,520,000	5,773,500	11,922,500

9. Notes to tax effect accounting

35th Fiscal Period (Reference) (from November 1, 2022, to April 30, 2023)	36th Fiscal Period (from May 1, 2023, to October 31, 2023)
1. Deferred tax assets and liabilities consist of the following: (thousand yen)	1. Deferred tax assets and liabilities consist of the following: (thousand yen)
[Deferred tax assets]	[Deferred tax assets]
Accrued business taxes not deductible from taxable income	Accrued business taxes not deductible from taxable income
682	610
Amortization of leasehold in trust	Amortization of leasehold in trust
2,902	5,761
Asset retirement obligations	Asset retirement obligations
102,620	103,288
Subtotal of deferred tax assets	Subtotal of deferred tax assets
106,205	109,659
Valuation allowance	Valuation allowance
(105,522)	(109,049)
Total deferred tax assets	Total deferred tax assets
682	610
[Deferred tax assets, net]	[Deferred tax assets, net]
682	610
2. Reconciliation between the statutory tax rate and the effective tax rate after applying tax effect accounting	2. Reconciliation between the statutory tax rate and the effective tax rate after applying tax effect accounting
(%)	(%)
Statutory tax rate	Statutory tax rate
31.46	31.46
[Adjustment]	[Adjustment]
Deductible distributions	Deductible distributions
(35.39)	(33.80)
Change in valuation allowance	Change in valuation allowance
1.72	0.29
Reversal of reserve for reduction entry	Reversal of reserve for reduction entry
4.11	2.54
Others	Others
(1.34)	0.15
Effective tax rate after applying tax effect accounting	Effective tax rate after applying tax effect accounting
0.56	0.64

10. Notes to asset retirement obligations

35th Fiscal Period (Reference) (from November 1, 2022, to April 30, 2023)	36th Fiscal Period (from May 1, 2023, to October 31, 2023)
Asset retirement obligations recorded on the Balance Sheets	Asset retirement obligations recorded on the Balance Sheets
1. Overview of the asset retirement obligations	1. Overview of the asset retirement obligations
Asset retirement obligations have been recorded as SPI has obligations to restore the sites to their original conditions based on the ordinary fixed-term land lease agreements, etc. for the land of (C-58) Proceed Shinozaki Tower, etc. that it acquired on May 1, 2013.	Asset retirement obligations have been recorded as SPI has obligations to restore the sites to their original conditions based on the ordinary fixed-term land lease agreements, etc. for the land of (C-58) Proceed Shinozaki Tower, etc. that it acquired on May 1, 2013.
2. Calculation method of the amount of the asset retirement obligations	2. Calculation method of the amount of the asset retirement obligations
The amount of the asset retirement obligations is calculated by estimating the use period of the relevant assets to be the period from their acquisition to the expiration of the relevant agreements (52 to 65 years) and using the discount rates of 1.531%–1.672%.	The amount of the asset retirement obligations is calculated by estimating the use period of the relevant assets to be the period from their acquisition to the expiration of the relevant agreements (52 to 65 years) and using the discount rates of 1.531%–1.672%.
3. Change in the total amount of the asset retirement obligations (thousand yen)	3. Change in the total amount of the asset retirement obligations (thousand yen)
Balance at beginning of period	Balance at beginning of period
250,985	300,411
Increase due to acquisition of property, plant and equipment	Increase due to acquisition of property, plant and equipment
47,046	-
Accretion	Accretion
2,379	2,398
Balance at end of period	Balance at end of period
300,411	302,809

11. Notes to related party transactions

35th fiscal period (Reference) (from November 1, 2022, to April 30, 2023)

Classification	Name	Business or occupation	Share of owned investment units	Description of transaction	Transaction amount (thousand yen) (Note 1)	Item	Balance at end of period (thousand yen) (Note 1)
Interested party, etc. and major unitholder of the investment corporation	Starts Corporation Inc.	Holding company	13.5%	Purchase of trust beneficiary interest (Note 2)	7,900,000	-	-
Interested party, etc.	Starts Amenity Corporation	Real estate leasing and management, construction	-	Property management fee	95,519	Operating accounts payable	124,105
				Repair expenses	289,190		
				Maintenance and inspection fee	137,963		
				Advertising expenses	76,174		
				Renewal fee	26,077	Tenant leasehold and security deposits in trust (Note 3)	59,618
Interested party, etc.	Starts Development Corporation	Real estate sales business	-	Purchase of trust beneficiary interest (Note 2)	3,333,000	-	-
				Disposition of trust beneficiary interest (Note 4)	1,124,000	-	-
Interested party, etc.	Shinozaki-eki Nishiguchi Koeki Fukugo Shisetsu K.K.	Management of public facilities	-	Purchase of trust beneficiary interest (Note 2)	1,500,000	-	-
Asset custodian	Sumitomo Mitsui Trust Bank, Limited	Banking business	-	Trust fee	14,279	Prepaid expenses	1,342
				Interest expenses	4,597	Long-term prepaid expenses	4,240
				Payment related to financing matters	-	Accrued expenses	448
						Prepaid expenses	418
				Borrowing of long-term loans payable	-	Long-term prepaid expenses	677
				Repayment of long-term loans payable	-	Current portion of long-term loans payable	300,000
				Administrative service fees	24,404	Long-term loans payable	968,000
		Accounts payable – other	18,871				

(Note 1) Consumption taxes are not included in the transaction amount except for the transactions related to capital expenditures. The balance at the end of period includes consumption taxes when the transactions are subject to such taxes.

(Note 2) When purchasing trust beneficiary interest from related parties, etc., the purchase price is determined at a level lower than the relevant appraisal value as a rule, based on the internal regulations, etc. designated by the Asset Management Company. Other transaction terms and conditions are determined based on the market realities.

(Note 3) For rent revenue, etc. and tenant leasehold and security deposits in trust, all transactions under fixed-rent-type agreements and, of the transactions under pass-through-type agreements, those with the Starts Group companies as end tenants are indicated.

(Note 4) When disposing trust beneficiary interest to related parties, etc., the disposition price is determined at a level higher than the relevant appraisal value as a rule, based on the internal regulations, etc. designated by the Asset Management Company. Other transaction terms and conditions are determined based on the market realities.

36th fiscal period (from May 1, 2023, to October 31, 2023)

Classification	Name	Business or occupation	Share of owned investment units	Description of transaction	Transaction amount (thousand yen) (Note 1)	Item	Balance at end of period (thousand yen) (Note 1)
Interested party, etc.	Starts Amenity Corporation	Real estate leasing and management, construction	-	Property management fee	95,398	Operating accounts payable	143,458
				Repair expenses	302,344		
				Maintenance and inspection fee	138,891		
				Advertising expenses	60,509		
				Renewal fee	24,896		
				Rent revenue, etc. (Note 2)	254,112	Tenant leasehold and security deposits in trust (Note 2)	59,624
Asset custodian	Sumitomo Mitsui Trust Bank, Limited	Banking business	-	Trust fee	13,230	Prepaid expenses	1,342
						Long-term prepaid expenses	3,569
				Interest expenses	4,712	Accrued expenses	569
				Payment related to financing matters	283	Prepaid expenses	385
						Long-term prepaid expenses	748
				Borrowing of long-term loans payable	129,000	Current portion of long-term loans payable	350,500
				Repayment of long-term loans payable	129,000	Long-term loans payable	917,500
Administrative service fees	11,442	Accounts payable – other	4,706				

(Note 1) Consumption taxes are not included in the transaction amount except for the transactions related to capital expenditures. The balance at the end of period includes consumption taxes when the transactions are subject to such taxes.

(Note 2) For rent revenue, etc. and tenant leasehold and security deposits in trust, all transactions under fixed-rent-type agreements and, of the transactions under pass-through-type agreements, those with the Starts Group companies as end tenants are indicated.

12. Notes to investment and rental properties

35th fiscal period (Reference) (from November 1, 2022, to April 30, 2023)

SPI owns rental housing, etc. mainly in the Tokyo metropolitan area as well as in cabinet order designated cities and major cities in regional areas for the purpose of obtaining rent revenue. The following table provides the book value recorded on the Balance Sheets, amount of change during the period and fair value at the end of period of these investment and rental properties as of April 30, 2023.

(thousand yen)

Book value recorded on the Balance Sheets (Note 1)			Fair value at end of period (Note 3)
Balance at beginning of period	Amount of change during period (Note 2)	Balance at end of period	
86,331,134	12,004,420	98,335,554	118,016,000

(Note 1) The book value recorded on the Balance Sheets is the acquisition cost less accumulated depreciation.

(Note 2) Of the amount of change during the 35th fiscal period, the amount of increase is primarily attributable to the acquisition of (C-90) Proceed Yamashita Koen The Tower and five other properties (13,478,446 thousand yen) and capital expenditures (213,452 thousand yen), and the amount of decrease is primarily attributable to the disposition of (C-34) Proceed Koenjiminami, (C-38) Proceed Hakuraku and (C-57) Proceed Kashiwa Trois (998,225 thousand yen) and depreciation and amortization (689,253 thousand yen).

(Note 3) The fair value at the end of period is the appraisal value or survey value provided by outside real estate appraisers.

For the income (loss) in the 35th fiscal period ended April 2023 for the investment and rental properties, refer to the aforementioned "Notes to Statements of Income."

36th fiscal period (from May 1, 2023, to October 31, 2023)

SPI owns rental housing, etc. mainly in the Tokyo metropolitan area as well as in cabinet order designated cities and major cities in regional areas for the purpose of obtaining rent revenue. The following table provides the book value recorded on the Balance Sheets, amount of change during the period and fair value at the end of period of these investment and rental properties as of October 31, 2023.

(thousand yen)

Book value recorded on the Balance Sheets (Note 1)			Fair value at end of period (Note 3)
Balance at beginning of period	Amount of change during period (Note 2)	Balance at end of period	
98,335,554	374,092	98,709,646	118,967,000

(Note 1) The book value recorded on the Balance Sheets is the acquisition cost less accumulated depreciation.

(Note 2) Of the amount of change during the 36th fiscal period, the amount of increase is primarily attributable to the acquisition of (G-38) Proceed Nishioji (815,638 thousand yen) and capital expenditures (214,329 thousand yen), and the amount of decrease is primarily attributable to depreciation and amortization (662,218 thousand yen).

(Note 3) The fair value at the end of period is the appraisal value or survey value provided by outside real estate appraisers.

For the income (loss) in the 36th fiscal period ended October 2023 for the investment and rental properties, refer to the aforementioned "Notes to Statements of Income."

13. Notes to per unit information

35th Fiscal Period (Reference) (from November 1, 2022, to April 30, 2023)	36th Fiscal Period (from May 1, 2023, to October 31, 2023)
Net assets per unit 174,303 yen	Net assets per unit 172,949 yen
Net income per unit (Note) 5,009 yen	Net income per unit (Note) 4,313 yen
Net income per unit is calculated by dividing net income by the daily weighted average number of investment units.	Same as on the left
Diluted net income per unit is not presented as there are no dilutive investment units.	

(Note) Net income per unit was calculated based on the following data.

35th Fiscal Period (Reference) (from November 1, 2022, to April 30, 2023)	36th Fiscal Period (from May 1, 2023, to October 31, 2023)
Net income (thousand yen) 1,415,055	Net income (thousand yen) 1,218,449
Amount not attributable to ordinary unitholders (thousands of yen) -	Amount not attributable to ordinary unitholders (thousands of yen) -
Net income attributable to ordinary investment units (thousands of yen) 1,415,055	Net income attributable to ordinary investment units (thousands of yen) 1,218,449
Average number of units during the fiscal period (units) 282,477	Average number of units during the fiscal period (units) 282,477

14. Notes to significant subsequent events

35th Fiscal Period (Reference) (from November 1, 2022, to April 30, 2023)	36th Fiscal Period (from May 1, 2023, to October 31, 2023)
Not applicable.	Same as on the left

15. Notes to revenue recognition

Breakdown information on revenue from contracts with customers

35th fiscal period (Reference) (from November 1, 2022, to April 30, 2023)

(thousand yen)

	Revenue from contracts with customers (Note 1)	Sales to external customers
Sales of real estate properties (Note 2)	1,126,621	122,212
Utilities income	26,344	26,344
Others	-	3,528,343
Total	1,152,965	3,676,901

(Note 1) Rent revenue subject to the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) is excluded from “Revenue from contracts with customers” as such revenue is not subject to Accounting Standard for Revenue Recognition. Revenue from contracts with customers mainly represents revenues from the sale of real estate and utilities.

(Note 2) Sales of real estate properties are recorded as gain (loss) on sales of real estate properties on the Statements of Income pursuant to Article 48, Paragraph 2 of the Regulations on Accounting of Investment Corporations (Cabinet Office Order No. 47 of 2006). Accordingly, the amount obtained by deducting cost of sales of real estate properties and other sales expenses from proceeds from sales of real estate properties is indicated for Sales of real estate properties.

36th fiscal period (from May 1, 2023, to October 31, 2023)

(thousand yen)

	Revenue from contracts with customers (Note 1)	Sales to external customers
Sales of real estate properties (Note 2)	-	-
Utilities income	24,372	24,372
Others	-	3,507,964
Total	24,372	3,532,337

(Note 1) Rent revenue subject to the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) is excluded from “Revenue from contracts with customers” as such revenue is not subject to Accounting Standard for Revenue Recognition. Revenue from contracts with customers mainly represents revenues from the sale of real estate and utilities.

(Note 2) Sales of real estate properties are recorded as gain (loss) on sales of real estate properties on the Statements of Income pursuant to Article 48, Paragraph 2 of the Regulations on Accounting of Investment Corporations (Cabinet Office Order No. 47 of 2006). Accordingly, the amount obtained by deducting cost of sales of real estate properties and other sales expenses from proceeds from sales of real estate properties is indicated for Sales of real estate properties.

Starts Proceed Investment Corporation

Statements of Cash Distributions

Fiscal period	35th Fiscal Period (Reference) From: Nov. 1, 2022 To: Apr. 30, 2023	36th Fiscal Period From: May 1, 2023 To: Oct. 31, 2023
Item		
I. Unappropriated retained earnings	1,415,073,669 yen	1,218,575,444 yen
II. Reversal of voluntary reserves		
Reversal of reserve for reduction entry	185,848,993 yen	99,000,000 yen
III. Amount of distributions	1,600,797,159 yen	1,317,472,728 yen
[Amount of distribution per investment unit]	[5,667 yen]	[4,664 yen]
IV. Retained earnings brought forward	125,503 yen	102,716 yen
Method of calculation of amount of distributions	<p>Pursuant to the policy on cash distributions provided in Article 35, Paragraph 1 of the Articles of Incorporation of SPI, the amount of distributions shall be in excess of an amount equivalent to 90% of the “amount of earnings available for distribution” provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on such policy, in the 35th fiscal period, SPI decided to pay out distributions of earnings of 1,600,797,159 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (282,477 units) not in excess of the amount after adding the amount of reversal of reserve for reduction entry accumulated in accordance with Article 66-2 of the Act on Special Measures Concerning Taxation to unappropriated retained earnings. SPI shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of its Articles of Incorporation.</p>	<p>Pursuant to the policy on cash distributions provided in Article 35, Paragraph 1 of the Articles of Incorporation of SPI, the amount of distributions shall be in excess of an amount equivalent to 90% of the “amount of earnings available for distribution” provided in Article 67-15 of the Act on Special Measures Concerning Taxation, but no more than the amount of earnings. Based on such policy, in the 36th fiscal period, SPI decided to pay out distributions of earnings of 1,317,472,728 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (282,477 units) not in excess of the amount after adding the amount of reversal of reserve for reduction entry accumulated in accordance with Article 65-7 of the Act on Special Measures Concerning Taxation to unappropriated retained earnings. SPI shall not distribute the cash in excess of earnings provided in Article 35, Item 4 of its Articles of Incorporation.</p>

Independent Auditor's Report

To the Board of Directors of Starts Proceed Investment Corporation

Opinion

We have audited the financial statements of Starts Proceed Investment Corporation (the Company), which comprise the balance sheets as of October 31, 2023, and the statements of income and retained earnings, statements of changes in net assets and statements of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2023, and its financial performance and its cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Semiannual Report that contains audited financial statements but does not include the financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Supervisory Directors are responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Supervisory Directors are responsible for overseeing the executive director's performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures of the financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with executive director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide executive director with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Homare Furukawa
Designated Engagement Partner
Certified Public Accountant

Handwritten signature of Homare Furukawa in Japanese calligraphy, consisting of the characters 古川 蒼 (Furukawa Homare).

Tomohiro Yoshioka
Designated Engagement Partner
Certified Public Accountant

Handwritten signature of Tomohiro Yoshioka in Japanese calligraphy, consisting of the characters 吉岡 智浩 (Yoshioka Tomohiro).

Nihombashi Corporation
Chuo-Ku, Tokyo
January 24, 2024